

MEDAM (Mercator Dialogue on Asylum and Migration)

Research Report

2017 MEDAM Assessment Report on Asylum and Migration Policies in Europe. Sharing responsibility for refugees and expanding legal immigration

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MEDAM

Mercator Dialogue on
Asylum and Migration



2017 MEDAM ASSESSMENT REPORT
ON ASYLUM AND MIGRATION POLICIES IN EUROPE

Sharing responsibility for refugees and expanding legal immigration

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2017 MEDAM ASSESSMENT REPORT
ON ASYLUM AND MIGRATION POLICIES IN EUROPE

Sharing responsibility for refugees and expanding legal immigration

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Preface

The Mercator Dialogue on Asylum and Migration (MEDAM) was established to pursue two objectives: first, to improve our understanding of the interrelated challenges facing the EU and its member states in the areas of asylum, migration, and mobility; and second, to engage European policy makers and civil society in a broad and open debate about comprehensive, implementable solutions to these challenges. MEDAM is a joint project carried out by three academic research centers and think tanks – the Centre for European Policy Studies (CEPS) in Brussels, the Kiel Institute for the World Economy (IfW), and the Migration Policy Centre (MPC) at the European University Institute (EUI) in Florence – with generous support from Stiftung Mercator.

This 2017 MEDAM Assessment Report on Asylum and Migration Policies in Europe is the first in an annual series. Its authors lay the groundwork for further research and policy dialogue in MEDAM in the coming years. They emphasize that the challenges that asylum and migration policy makers need to address are best understood as the outcome of decisions that migrants, or potential migrants, make in interconnected settings: from assessing their prospects in their countries of origin through navigating asylum and immigration regimes and irregular migration routes to investing

in their economic and social integration in their destination countries. This dual emphasis on the agency of migrants and on the linkages between seemingly disparate policy areas is a distinguishing feature of the MEDAM project.

A recurring theme in this report is that migration must be governed, if it is to deliver benefits for migrants, countries of origin, and countries of destination. Regarding the global governance of refugee protection, the 1951 Refugee Convention provides guidance on ways in which host countries and the international community might share responsibility for protecting refugees, especially through financial burden sharing. Similar considerations apply to the sharing of responsibility within the EU. Regarding labor migration, legal employment opportunities in the EU for non-EU citizens might be expanded if safeguards are put in place to steer immigrants into the labor market, rather than towards the welfare state.

We present this 2017 MEDAM Assessment Report to the policy making community and to the wider public in the hope that it will stimulate and inform a constructive debate. Our ultimate aim is to arrive at ways to more effectively address the needs of refugees and to harness labor migration to the benefit of migrants, host societies, and those who remain in their countries of origin.

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Introduction and overview

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Challenges to asylum and migration policies in Europe

Throughout the EU, policy makers and voters are uncertain about the best way forward for policies on asylum, immigration, and immigrant integration. The number of asylum seekers who enter the EU irregularly has declined sharply from its peak in late 2015, offering a much-needed respite to over-stretched reception systems in the few EU countries that have received most asylum seekers. However, the policies that brought about this reduction – mainly, the EU’s agreement with Turkey to curb irregular migration and the closure of land borders in the Western Balkans to irregular migrants – will be difficult to sustain. It is not clear how the humanitarian emergencies that currently afflict migrants in Greece and the Western Balkans can be addressed without encouraging a resurgence of irregular immigration. It will also be difficult to implement similar measures along the central Mediterranean migrant route from Libya to Italy, where the number of new arrivals has been roughly constant for several years, and there is no other country on that route that could conceivably host refugees to the extent that Turkey does. Finally, there is no viable reform in sight for the EU asylum system (the ‘Dublin’ regulations) to ensure that EU member states share responsibility for hosting refugees more equitably.

Apart from the reception of new immigrants, EU member states also face challenges related to the economic and social integration of immigrants who already live in the EU. In most EU member states, immigrants (defined as individuals born abroad) are less likely to be employed than native individuals. Immigrants also tend to earn less. The gaps in employment rates and income are most pronounced for immigrant women and immigrants from outside the EU. Immigrants who come to the EU primarily to seek protection face an especially lengthy route toward labor market integration – particularly in those member states where refugees receive significant income support until they find formal employment. With lower employment rates and incomes, immigrants as a group tend to pay less tax and lower social contributions and receive more social transfers than the host population. While the net fiscal impact due to the presence of immigrants is usually small (even when it is negative), more immigration will not invariably increase the real incomes and welfare of residents.

In many EU member states, some individuals in the host society harbor very negative attitudes toward immigrants and immigration, complicating the economic and social integration of immigrants. Negative attitudes are often associated with ethnicity-based identities and disseminated by social and other media, and have little to do with the economic impact of immigration on a given individual. Still, successful integration depends crucially

on how much immigrants are willing to invest in destination-specific human capital (learning the local language and acquiring country-specific vocational qualifications). The incentives to invest are diminished if immigrants face negative attitudes, public hostility, or even hate crimes, and therefore must be uncertain about their long-term prospects in the destination country.

Simplistic views about the drivers of migration to the EU further confuse the public debate on asylum and migration policies. A large gap in the level of economic development (hence, in real income and living standards) between an individual’s home country and the EU is often (rightly) identified as an incentive to migrate. Thus, it is argued further, development assistance should be reinvented to combat the root causes of migration – low incomes in developing countries, bad governance, and lack of respect for human rights. Yet, development assistance has pursued exactly these objectives for the last half century, to limited avail. It is clear from this experience that economic and social development is a complex process that cannot easily be set in motion through outside intervention, however well-intentioned. A deeper understanding of the way potential migrants decide whether to migrate is necessary to appreciate the opportunities and risks of possible policy interventions.

Core messages of this Assessment Report

Together, these diverse challenges bear upon the effectiveness of policies on asylum, immigration, and integration in the EU and its member states. The complexity of the challenges and the linkages between the policies help to explain the widely perceived uncertainty about the best way forward. Against this background, we pursue two main objectives with this 2017 MEDAM Assessment Report on Asylum and Migration Policies in Europe. First, we analyze key challenges in three broad areas: i) the global governance of refugee protection, the EU asylum system, and external border management; ii) the economic and social integration of immigrants and public attitudes to immigration among destination-country residents; and iii) the determinants of migration decisions among potential migrants, how development assistance affects migration, and how countries of origin benefit from migration. We emphasize the agency of migrants throughout the process of migration and explain how the various challenges are mutually interdependent.

Sharing responsibility for refugees more equitably

Second, we propose guidelines for comprehensive, implementable solutions to these interlocking challenges. These guidelines will be the starting point for MEDAM researchers to engage with policy makers and civil society through a variety of formats to develop proposals for specific reforms and policy interventions. In this report, we put forward two broad policy messages. In the first

of these, we emphasize that responsibility for protecting refugees should be shared more equitably across countries along parallel dimensions: i) globally, between host countries and the international community, including the EU; and ii) within the EU, between countries of first arrival and other member states.

In both dimensions, a meaningful start can be made through more financial burden sharing, which would go a long way toward equitable burden sharing overall. In return for substantially higher, and more predictable financial support, non-EU host countries should be encouraged to grant a firm legal status to refugees and facilitate their economic and social integration in the host country. The EU and its member states should help by better linking humanitarian to development assistance to ensure that public services and infrastructure are adequate even in the face of protracted refugee situations.

On a voluntary basis, EU member states should complement financial burden sharing with the resettling of a limited number of refugees, both from outside the EU to EU member states, and within the EU, from member states on the external EU border to other member states.

Expanding legal immigration from non-EU countries to EU member states

In our second policy message, we encourage EU member states to expand legal employment opportunities for non-EU citizens at the same time that the EU and its member states are working to curb irregular immigration. At present, many irregular immigrants to the EU apply for asylum not because they require protection, but because this is the only way for them to enter the labor markets of EU member states. Although many such immigrants never receive refugee status, only a few ever return to their countries of origin.

To curb such irregular immigration, we believe it will not be sufficient to try to close the ‘back door’ of irregular travel to the EU through better external border security and agreements with countries of origin and transit along the major migrant routes. Too many potential migrants face the choice of either putting up with limited economic opportunities at home or emigrating irregularly, at high cost and considerable risk. Economic conditions in many low- and middle-income countries will not improve overnight, even if development assistance is increased. Meanwhile, established people-smuggling networks as well as existing migrant diasporas will continue to make irregular migration a viable choice for many, however much border security is tightened along migrant routes.

Therefore, we think it will be important to offer potential irregular migrants an alternative that works for them as well as for countries of origin and destination, by opening the ‘front door’ of regular employment in EU member states to those who are willing to acquire the necessary language skills and vocational qualifications. Within the EU, it is the individual member states that decide on labor market access for non-EU nationals. While it will be important to extend labor market access beyond very highly skilled (university-educated) individuals who frequently enjoy access even today, member states may apply differential conditionality to ensure that the new arrivals have good prospects

for labor market and social integration. Such conditionality typically revolves around age, language skills, vocational qualifications (either based on specific labor market needs or broadly defined skill levels to reflect long-term employment prospects), an employment contract, or family relations. To facilitate access to language and vocational training in developing countries, including for low-skilled individuals, EU member states should make such training part of their development assistance.

A large body of empirical research suggests that, in destination countries, the aggregate economic impact of such additional immigration into the labor market is usually small. Firms would gain access to a larger pool of qualified workers and the effects of population ageing might be eased. At the same time, migrants would benefit from distinctly higher incomes, some of which would find their way to countries of origin through remittances. Since the chance of obtaining legal employment in EU member states would increase with educational attainment and vocational qualifications, the expected returns to investment in human capital would increase, again benefitting the country of origin. Through their development assistance, the EU and its member states may usefully support such language and vocational training.

Thus, in our view, a sustainable asylum and migration policy needs both ingredients – ‘closing the back door’ of irregular immigration and ‘opening the front door’ of regular migration into labor markets. In addition to shifting the incentives of potential migrants toward investment in human capital and waiting for their chance of regular migration, a comprehensive approach along these lines may also garner the support of the governments of countries of origin whose full cooperation is crucial for addressing irregular migration.

Immigration and diversity in the EU (chapter 1)

We begin this Assessment Report by placing recent migrant flows in the context of Europe’s experience with migration over the last half century (chapter 1). In the old EU member states (EU-15), the prevalence of immigration (the share of individuals born abroad in the resident population) has increased sharply since 1960, with most immigrants coming from outside the EU (section 1.1). Today, immigrants make up 10 to 15 percent of the resident population in most EU-15 countries. They are also far more diverse in terms of their countries of origin than half a century ago. During the same period, traditional high-emigration countries among the EU-15 (Greece, Ireland, and Italy) saw the number of emigrants decline significantly relative to their resident population.

Among the new EU member states, the picture is starkly different. Several countries saw their emigration ratios shoot up when labor market access was granted by the EU-15. The emigration ratio is now approaching 20 percent for both Romania and Bulgaria. By contrast, there is little immigration in most new EU member states.

We go on to document important dimensions of migrant heterogeneity (section 1.2). Apart from historical legacies (e.g. former Soviet citizens in the Baltic countries), non-EU immigrants are concentrated in highly industrialized and

urbanized regions. Notably, immigrants from the EU tend to be more evenly dispersed. Most immigrants have come to EU countries to work or to join family members who already live there. Those seeking international protection or political asylum played only a small role in 2014, accounting for more than 10 percent of non-EU immigrants only in Austria, Belgium, Germany, and Sweden. While there are more refugees in the EU today, they still live mostly in the same countries and their numbers are still small compared with those immigrants who came for work or family reasons.

In the EU-28, immigration prevalence was the same for male and female immigrants from the new member states (EU-13) in 2010. By comparison, among immigrants from EU-15 countries and from outside the EU, immigration prevalence was slightly higher for men than for women, although these gender gaps had declined significantly during the previous three decades. The share of university graduates among immigrants remained small in EU member states, particularly when measured against those OECD countries (such as Australia and Canada) that actively attract highly skilled immigrants.

Integration and return: Bosnian refugees during the 1990s

We complement this review of broad trends in immigration with a comparative case study of Bosnian refugees from the 1992–95 Balkan war in five EU member states (section 1.3). The legal framework for labor market integration differed sharply across these member states: from early labor market access and permanent residence a few years later in Austria, to little access and enforced return after the war in Germany. Encouragingly, in all countries that did not oblige Bosnians to return after the war, integration outcomes are very favorable in terms of current labor market participation, irrespective of how long it took Bosnians to gain labor market access. Even more importantly, perhaps, the educational attainment of the second generation (i.e. children born to Bosnian parents who arrived as refugees) is in line with children born to native parents.

The experience of returnees to Bosnia after the Dayton peace accord is mixed. Many Bosnians from ethnic minority areas found it difficult to return to their homes because of continuing ethnic divisions. Overall, returnees struggle economically as much as the rest of the population. With high unemployment in Bosnia, there is little evidence that returnees have brought home scarce human resources. Substantial remittances from the large Bosnian diaspora benefit not only their direct recipients, but also lead to more demand for local goods and services and higher real wages in Bosnia. In turn, they benefit all households with labor income. As a result, by hosting Bosnian immigrants, EU member states help to sustain a struggling economy where living conditions would otherwise be far more difficult.

Global governance of refugee protection and challenges to the EU asylum system (chapter 2)

The surge in the number of asylum seekers who arrived in Europe in 2015 has highlighted the shortcomings of both

the current international governance of refugee protection and the EU asylum system. Since early 2016, policy makers in the EU and several member states have implemented a combination of measures – the closure of the Western Balkans migrant route and the EU agreement with Turkey to prevent irregular migration to Greece – that have brought down the number of new arrivals in Europe. However, the difficult situation in Turkey and the humanitarian emergencies along the central Mediterranean migrant route, through which a persistently high number of asylum seekers arrive in Italy, raise the question of whether the current policies are sustainable and sufficient.

Irregular migrant routes to the EU are now firmly established from as far as West Africa, the Middle East, and Afghanistan. Irregular immigrants are driven by a wide range of motives, including violence and persecution at home as well as the quest to earn a higher income. In developing a response to irregular immigration, one starting point must therefore be the international governance of refugee protection and the resulting obligations of the EU and its member states (section 2.1).

Global governance of refugee protection: The EU's contribution

Refugee protection is governed by the 1951 Refugee Convention, which grants protection in signatory states to individuals who are “persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion.” Those seeking protection must not be penalized for illegally entering the host country; nor must they be returned to a country where they would be at risk. This implies that persecuted individuals will be hosted in the first safe country that they physically manage to reach.

The Convention recognizes that host countries may be over-burdened if they receive too many refugees, and calls on signatory states to share responsibility in this case. This is particularly relevant when refugees are hosted by low- and middle-income countries (as are most refugees worldwide). There is a significant degree of financial burden sharing through the humanitarian assistance provided mainly by UN organizations (the Office of the United Nations High Commissioner for Refugees (UNHCR) and World Food Programme), funded by high-income country governments.

However, available funds from national donors often fall short of needs and funding fluctuates even when available. Thus, we argue that the EU and its member states should contribute more to these humanitarian efforts. Furthermore, they should make their support more predictable and allow more flexibility so it can be used where the need is greatest. Apart from meeting a humanitarian obligation, more – and more predictable – funding for humanitarian assistance would also help to avoid secondary movements of refugees in response to unbearable living conditions in poor host countries.

Beyond financial assistance, we also argue that EU member states should share responsibility with the countries of first asylum by receiving more refugees through ‘third-country resettlement’ mediated by UNHCR, or by issuing humanitarian visas so that refugees can travel to

Europe safely. Given the decline in the number of irregular immigrants and asylum seekers in 2016, there should be room for member state initiatives along these lines. For refugees who cannot reach safe countries, EU member states should explore the provision of humanitarian visas.

The EU asylum system: Challenges

Responsibility sharing for refugees is a challenge not only globally, but also within the EU. The current asylum regime in the EU, embodied in successive Dublin regulations, places most responsibility on the member state where a refugee arrives – usually irregularly, because no member state will currently issue an entry visa to an individual who comes to apply for asylum. As developments in Greece and Italy demonstrate, this arrangement may be neither fair nor sustainable. That said, two fundamental challenges arise in devising a ‘better’ asylum regime for the EU.

First, the protection of refugees is a public good because most people value the fact that refugees have a right to protection (the 1951 Refugee Convention has been signed by 140 countries, representing most of the world’s people). At the same time, most people prefer refugees to be hosted elsewhere and for someone else to bear the cost. At the global level, we deal with the public good nature of refugee protection by suggesting that the EU and its member states step up ‘voluntarily’ and contribute in line with the EU’s role as a major global player, even while there is no formal mechanism for responsibility sharing. Within the EU, however, those countries that have received most of the recent wave of asylum seekers have made it clear that they consider their capacity to host refugees exhausted – be it by closing their border to refugees (Sweden) or closing the Western Balkans migrant route and establishing the EU-Turkey agreement (Austria and Germany). Hence, a voluntary approach may not be sufficient.

Second, the asylum regime involves many policy areas that are closely interdependent: external humanitarian assistance, EU external border security (including through agreements with third countries), external border management, search and rescue missions in the Mediterranean, reception and registration of irregular immigrants, the processing of asylum applications, the economic and social integration of refugees, return of those whose application for asylum is rejected, and legal employment opportunities for immigrants that also benefit refugees (section 2.2). Suboptimal efforts in one area – for example, too little humanitarian assistance for refugees outside the EU – frequently lead to higher costs in another area – for example, more irregular immigration and more applications for asylum.

Apart from external humanitarian assistance, the Dublin system leaves responsibility for all these policies with the member state of first arrival. Arguably, this is not equitable if one considers refugee protection a responsibility to be borne by all EU member states according to their means. In practice, it is also not workable because there are strong incentives for countries of first arrival and immigrants to collude in undermining the arrangement and shift costs onto other member states.

For instance, if the country of first arrival fails to register (in practice, fingerprint) irregular immigrants and does not provide for their subsistence, these immigrants may attempt to take advantage of the absence of border controls within the Schengen area and move to another EU member state that provides better reception conditions. In the absence of a coordinated approach, the main destination countries may feel compelled to adopt unilateral measures to control the migration flows. Thus, a race to the bottom among member states in terms of the reception conditions for asylum seekers may follow. As it happened, several member states (Sweden, Denmark, Germany, and Austria) reintroduced ID checks on their Schengen borders along the migrant routes to discourage irregular crossings and Hungary fortified its non-Schengen borders with several neighbors.

The EU asylum system: Pathways for reform

Therefore, a sustainable asylum system in the EU will have to be built on i) a strong set of common rules (to ensure optimal efforts in all linked policy areas); ii) as needed, effective monitoring and enforcement by the European Commission to ensure that member states play their assigned roles; and iii) substantially more financial burden sharing along with administrative and logistical support for member states of first arrival (section 2.3). Since legal wrangling is seldom helpful in achieving the genuine cooperation that is needed for a functional EU asylum system, much will depend on designing rules that are incentive-compatible for all actors, rather than relying excessively on top-down enforcement by the European Commission.

At present, there is a common set of rules that cover many aspects of the asylum regime. Yet, enforcement of member state obligations has often been weak, such as when member states of first entry have failed to register newly arriving asylum seekers properly or when ‘inland’ member states have refused to participate in the limited, agreed-upon redistribution of asylum seekers from member states of first entry.

Financial and logistical burden sharing within the EU is far from adequate. In the EU budget, funds to support member states that receive many asylum seekers are quite small relative to the costs incurred by those member states. Achieving a satisfactory level of funding that would allow the EU to offset a seriously disproportionate burden on an individual member state would require a substantial increase in EU resources. Technically, this may not even be possible before the next Multiannual Financial Framework starts in 2021. Politically, it would require a unanimous decision by EU member states, rather than a qualified majority like the existing reallocation schemes for asylum seekers from Greece and Italy. As such, a fundamental reform of the EU asylum system will require wide-ranging policy discussions that engage all member states constructively, including those that have so far hesitated to become more involved in protecting refugees. In the meantime, more financial and logistical support from less affected member states to those on the external border may need to be provided on an ad hoc basis.

The EU has recently begun to negotiate agreements with neighborhood countries (including Turkey) and

African countries along the irregular migrant routes to Europe on a set of measures to curb irregular immigration. In the case of Turkey, the EU provides substantial humanitarian assistance for the refugees Turkey is already hosting. In addition, there is limited resettlement for refugees from Turkey to EU member states, in exchange for Turkey curbing the activities of people smugglers and taking back irregular migrants from Greece who went there from Turkey. Cooperation with countries in the neighborhood is essential to improving security along a maritime border where irregular migrants cannot be stopped physically without putting their lives at risk. In extending this approach to more countries of transit and asylum, there is a need to be clearer about the conditions under which a partner country can be considered safe for returning asylum seekers, and about the legal status of such agreements and the possible involvement of the European Parliament in concluding them.

The European Commission has additionally proposed a new mandatory scheme to redistribute asylum seekers systematically from countries of first entry to other EU member states. While this scheme is intended as a major step toward more equitable responsibility sharing, there appears to be little support from member states. This may not only reflect an unwillingness to address an unpopular issue; the Commission proposal also largely fails to address spillovers from other policy areas and incentive issues. For example, inland member states would have little effective control over whether ‘enough’ effort is made to limit irregular immigration by working with neighborhood countries to secure the external EU border and combat people-smuggling. At the same time, member states on the external border would still be expected to receive and host all asylum seekers until some (those with a high chance of recognition as refugees) are redistributed to other member states.

A two-step approach may help to resolve this impasse. First, financial and logistical support for member states on the external border may be increased to ease their burden. In particular, the existing ‘hotspot’ approach may be extended to include EU-operated reception centers where asylum seekers would remain until recognized as refugees (or obliged to return to their countries of origin). Second, inland member states may be encouraged to voluntarily resettle some recognized refugees directly from the hotspots.

Immigrant integration in the EU (chapter 3)

A large body of empirical economic research demonstrates that the economic effects of immigration on the resident population in the destination country are usually small on aggregate. The underlying economic logic is that the wages earned by working immigrants reflect the extra output of the economy. If immigrants compete in the labor market with particular groups of residents (such as earlier immigrants), these groups may experience lower wages and worse employment opportunities (while other groups likely benefit). If immigrants do not work but receive social transfers, there may be a negative fiscal effect on the host society. While this effect is typically found to be small for immigrants overall, it may become

significant for groups with unfavorable socioeconomic characteristics for labor market integration or if many immigrants enter a destination country in a short time (such as asylum seekers in Austria, Germany, and Sweden in late 2015 and early 2016). It is also conceivable that scarce local resources (e.g. housing, natural and environmental resources) could experience excess demand so that their quality deteriorates permanently, although there is little evidence that this is occurring at the prevailing levels of international migration.

Given the positive effects of immigration on migrants themselves (otherwise, they would not migrate in the first place) and on their countries of origin (through financial and other remittances), we take it as given in this Assessment Report that immigration is normally beneficial overall if immigrants join the labor force rather than the welfare state. With this in mind, we concentrate on the labor market integration of immigrants. We begin by reviewing broad trends across the EU and then focus on the early experiences of recently arrived refugees in Germany and the associated lessons.

Labor market integration

In most EU member states, there is a gap in employment rates and income between immigrants and the native population of prime working age (25 to 54 years old; section 3.1). This gap cannot be explained by differences in educational attainments or age composition; it is most prominent among immigrants from outside the EU, especially women. The reason for immigration plays a large role: those who come for family reunification or international protection represent the most vulnerable group.

The employment and income gaps reflect a similar gap in education for the first generation of immigrants: the share of the tertiary-educated is much lower than for the majority population, especially among women. Encouragingly, the second generation catches up with the majority population in most EU member states.

Labor market integration takes much longer for refugees than for those immigrants who first come to the destination country to work or study (section 3.3). Whereas the latter reach their long-term employment level (which may still be lower than for the majority population) after at most a few years, refugees take around 10 years to catch up with other immigrants.

We identify several major reasons for the slow transition of refugees into employment. For a start, many refugees leave their homes suddenly because of persecution or violence and are hence unprepared for the destination country in terms of language and vocational skills. In addition, many refugees must wait several months or even years for their legal status to be recognized. In the meantime, they have few incentives to invest in country-specific human capital as they might be asked to leave the destination country. Also, they may not have access to relevant courses until their legal status is confirmed. Moreover, even when there are suitable jobs on offer and there are refugees willing and qualified to take them, ‘matching frictions’ between refugees and the local firms complicate the job search and hiring process.

We report evidence from a field experiment in Munich that strongly suggests that matching frictions matter for

the job search process of refugees. Providing support through personal counselling and facilitating the exchange of information between candidates and potential employers may considerably shorten the time required to find a job. Furthermore, rapid asylum procedures to establish legal certainty as well as early access to language classes and vocational training are helpful. It is also worth exploring whether successful labor market integration should enable an asylum seeker to remain in the country of destination for good even if his or her application for asylum is rejected.

Residents' attitudes toward immigrants and immigration

Successful integration depends not only on the socioeconomic characteristics of immigrants, but also on residents' attitudes toward immigrants and immigration (section 3.2). As voters, residents determine immigration policies; as members of the host society who interact with immigrants in manifold ways, residents influence the labor market and social integration of immigrants.

Most individuals who are skeptical about immigration or immigrants are not primarily concerned about a negative economic impact that they might suffer themselves. Rather, many skeptics are concerned about how their 'peers' are affected – whom they define on an ethnic, rather than civic basis while adopting a national, rather than European perspective. While such collective identities and worldviews are sticky, they are not inalterable: they are affected by social interactions across the borders of 'in groups,' and ethnicity-based collective identities become less prevalent as educational attainment increases. Importantly, they can be 'activated' or 'mediated' by political discourse and media reporting on immigrants.

We derive three guidelines from this analysis for responsible societal conversation on immigration. First, it is helpful to provide the public with nuanced factual knowledge. While attitudes are driven by people's beliefs, beliefs are informed by public debates. Second, policy makers are always well-advised to take the concerns of the public seriously, but if concerns are little more than ethnicity-based identity talk, then such talk should be exposed for what it is, namely essentially racist, and should be dealt with like other extremist utterances. Third, policy makers should promote opportunities for positive contact between immigrants and the majority population, because such contact has been shown to lead to more balanced and positive views about the 'other.'

Migration and development (chapter 4)

The migration flows we observe are the outcome of decisions by millions of individuals and their families on whether to migrate (and if so, where), remain in the country of origin, or (after migration) return home. Potential migrants weigh multiple tangible and intangible benefits of migration against the costs (section 4.1). Similarly, migrants and their families decide how much time and money to invest in tangible and intangible assets specific to their host and home countries, affecting their economic and social integration in the countries of destination.

Depending on the context, complications may arise in the process of making decisions about migration and

return. Potential migrants often have only limited information about travel risks (say, current conditions in Libya) or what their lives would be like in possible countries of destination, including their likely incomes and cost of living. The available information from media or visiting migrants may also be distorted. In the case of refugees, the original decision to leave home is typically driven by the experience of persecution or violence, but the subsequent decision to move on from the first country of asylum (for example, to the EU) is subject to a similar cost-benefit calculus as most other migration decisions.

While many individuals from low-income countries would like to migrate to high-income countries, there are large differences in migration intentions between similarly poor countries: fewer individuals want to migrate when a country's prospects for economic growth and social development are perceived as better. Combined with the intangible costs of migration (for instance, being separated from family and friends), this explains why observed emigration prevalence starts to decline when per-capita income is only approximately a third of the level of potential, rich destination countries. For those who decide to migrate, it is a life-changing decision. Several recent initiatives to fortify borders physically through walls and fences will make irregular migration costlier, but will not – on their own – change the calculus of migrants sufficiently to reduce irregular migrant flows to a significant extent.

In the ongoing public debate, there are demands to reinvent development assistance to eliminate the causes of irregular migration from poor countries, presumably including poverty and bad governance. However, the relationship between development assistance and migration is complex (section 4.2). Like other international financial flows, development assistance creates linkages between donors and recipients, reducing international transaction costs and, potentially, the costs of irregular migration. Still, if development assistance succeeds in raising real incomes and improving economic prospects, it may reduce the incentive to migrate – though only if real income surpasses a critical threshold (see above).

Finally, many migrants maintain close ties with family and friends in countries of origin even while their economic and social integration is progressing well in their host countries. Having close economic and social ties in two societies has been characterized as migrant transnationalism. Apart from financial remittances to family and friends, transnationalism may also lead to "cultural, social, and political remittances": the transfer of values that migrants acquire in their host countries to family, friends, and society at large in their countries of origin (section 4.3).

While in the past the empirical evidence on social remittances consisted mainly of a well-supported narrative about how migrants transfer values back home, more solid quantitative relationships are now also reported. The emerging research literature shows that migration can affect fertility behavior, the social status of women, and political attitudes in migrants' countries of origin. Empirical papers often focus on countries of origin with emigrants in different destination countries that have differ-

ent value systems. For example, fertility rates in Turkey were higher in those regions with high emigration prevalence toward the Gulf region (rather than toward Western Europe). In Moldova, municipalities with high migration prevalence toward Western Europe (rather than Russia) saw a higher vote share for political parties that support the EU.

Insights to guide the design of policies related to asylum and migration

Our analysis demonstrates, above all, that a systemic approach is required to design effective policies for asylum and migration in the EU and beyond. It is true that refugee protection and labor migration differ conceptually and in the way they are governed. Nevertheless, labor migrants from many parts of the world enter the EU irregularly and apply for asylum in the hope of gaining access to the labor market, while individuals threatened by persecution or violence may migrate to safety with a work visa. The effects of much-discussed policy interventions such as fortified borders or innovative forms of development assistance depend on myriad factors that relate to the way potential migrants decide whether to migrate and when, as well as economic conditions in the countries of origin and destination.

Furthermore, migration needs to be governed and regulated. If asylum seekers were free to choose their host country, potential destination countries would probably offer progressively worse reception conditions, resulting in a race to the bottom. If many immigrants arrive in a country within a short time span, they may overstretch limited local resources, such as housing, infrastructure, education systems, and welfare state services. Curbing irregular migration through better border enforcement while protecting refugees will require the enforcement of rules in close cooperation between countries of origin, transit, and destination. Destination countries need to have confidence that they can effectively control immigration before they will consider expanding legal immigration opportunities even for individuals who possess the necessary language and vocational skills to succeed in the labor market (and not become dependent on the welfare state).

In addition, new forms of international governance and cooperation need to be developed around the notion of joint, but differentiated, solidarity. For example, partnerships for refugees in non-EU countries would bring together high-income countries that provide substantially higher and more predictable funding for humanitarian and development assistance, and developing host countries that grant refugees a firm legal status and facilitate their economic and social integration in ways that can be monitored and verified. The countries involved would share a commitment to protecting refugees globally, but contribute in different ways according to what they consider financially, logistically, and politically feasible.

Similarly, the functioning of the EU asylum system needs to be improved. Yet, in the short to medium run, there is unlikely to be a grand new scheme with key tasks centralized at the EU level, additional EU tax revenue, and mandatory quotas for member states to host

refugees. Rather, the present Dublin system will remain the point of reference, backed up by a credible threat of Schengen area and other borders being closed to irregular migrants. Under these circumstances, inland member states can effectively share the burden of member states of first arrival by helping to operate reception centers for asylum seekers, with each member state contributing according to its means (financially, by providing staff, by resettling recognized refugees within the EU, by offering work visas to individuals who might otherwise apply for asylum, etc.). As with other forms of joint but differentiated solidarity, it would be helpful to have a review mechanism to assess the contributions of all participants and a forum where participants can engage in a constructive conversation on how to develop responsibility sharing further.

1. Immigration and diversity in the EU in perspective

Large-scale immigration from culturally diverse countries of origin, even when successful in economic terms, may affect a society's social capital and the host population's sense of cultural and national identity along with their attitudes to immigrants and immigration policy. The process of adopting new collective identities that incorporate diversity and multiculturalism may prove challenging – particularly when large-scale immigration occurs in the absence of a well-defined policy on immigration and integration, as it did in much of Western Europe during the 1960s, 1970s, and 1980s.

In this chapter, we recall the far-reaching changes in emigration and immigration in Western Europe during the last half century. Thus, we provide a historical perspective on the challenges that European societies now face as they address ethnic and cultural diversity and develop col-

lective identities fit for the 21st century. We highlight the diminishing importance of Western European diasporas, mainly in the U.S., and the emergence of new migration corridors, both within Europe and into Western Europe from other continents (section 1.1). We also highlight the heterogeneity of immigration motives among immigrants in Western Europe, including work, study, family unification, and protection from persecution (section 1.2).

Lastly, we take a close look at one immigrant community – Bosnians who fled from the war at home during the early 1990s and received protection in Western Europe. Their contrasting experiences with labor market integration in several EU countries and return to Bosnia after the war (voluntary or enforced) serve as points of reference for many current debates in the field of asylum-related policies.

1.1 Immigration and emigration in Western Europe since 1960

Lead author: David Benček

EU member states have had diverse experiences with migration over the course of the last century. Some, including France and the U.K., have seen immigration early on because of their colonial histories; others have pursued strategies of isolation or employed immigration only intermittently as a labor market policy instrument (Germany comes to mind); yet others have always been ethnically diverse because of their geographical location (Austria). However, in the face of growing migration in Europe and across the globe, even countries previously unaccustomed to large immigration (e.g. Spain) have recently experienced rising inflows of foreigners and will therefore need comprehensive policies to address the resulting challenges. In order to assess the current prevalence of emigration and immigration in the EU and put it into historical perspective, this section provides a statistical overview of past and present patterns of migration.

An empirical analysis of migration starts out with the challenge of identifying adequate data. As migration statistics are usually collected by individual destination

countries that do not necessarily apply the same classifications and definitions, inconsistencies arise between different sources of data. That is especially an issue when comparing statistics across countries and over time. One dataset that was created to overcome this lack of continuity and harmonization is the World Bank's Global Bilateral Migration Database (Özden et al. 2011). In its current version, it consists of decennial matrices from 1960 to 2010 plus data for 2013. In addition to harmonizing a large number of population records, this dataset is also nearly unique in offering bilateral data between pairs of origin and destination countries worldwide. This allows for the kind of disaggregated analyses and close-up examinations of migration patterns that are necessary to assess the EU's prominence in an age of global migration.

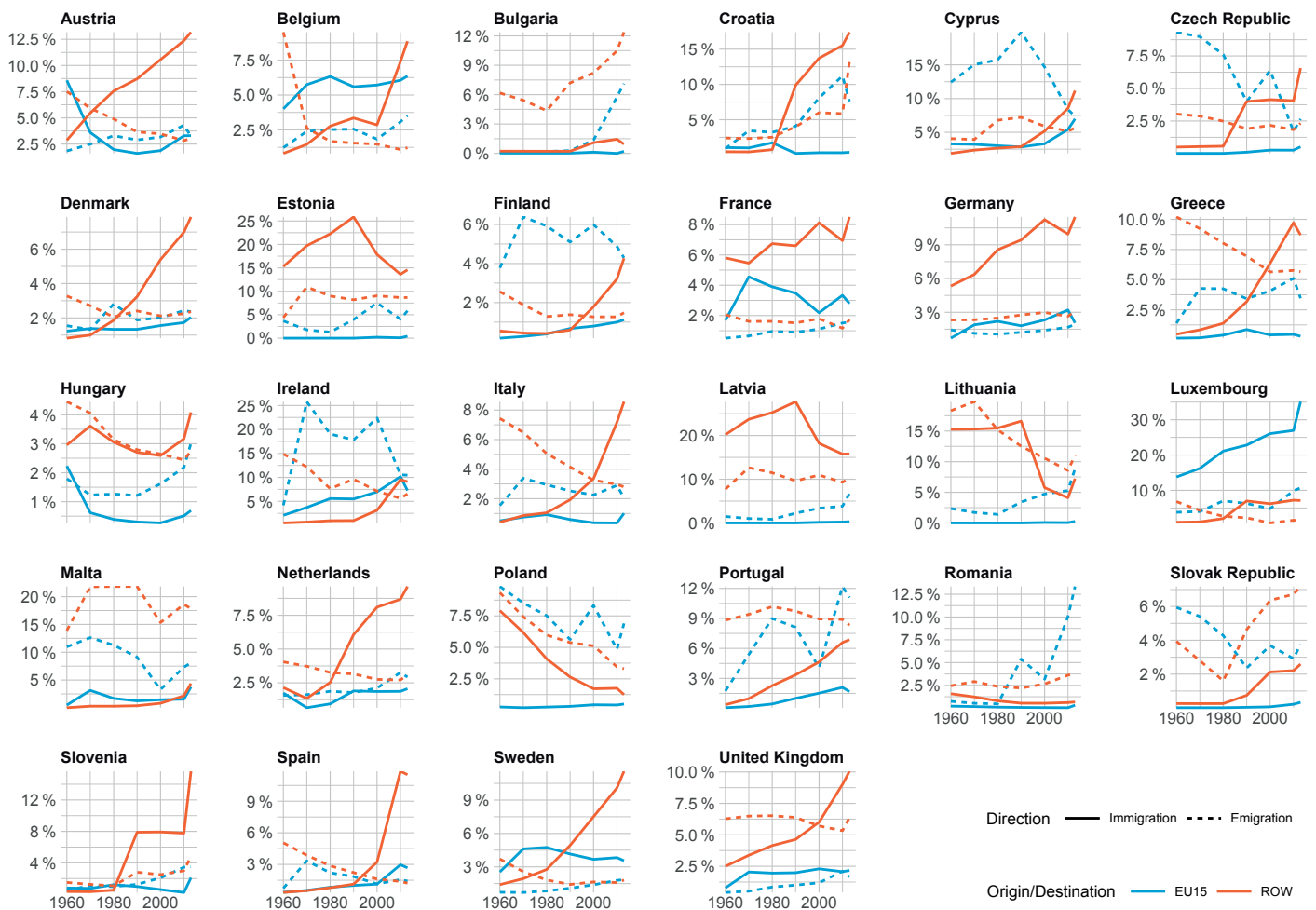
According to World Bank data, by 2013 the global stock of migrants had increased by a factor of more than 2.6 since 1960 and amounted to about 247 million people. While large parts of this increase must be attributed to intraregional migration, especially between devel-

opening countries, Western Europe experienced a similar rise in immigrant numbers: the total migrant stock of EU-15 countries increased from 28 million in 1960 to 62 million in 2013 (for EU-28 countries, from 37 million to 70 million). In addition, the bilateral migration links of EU-15 countries with the rest of the world have grown more diverse in the past 60 years.

These highly aggregated figures illustrate the central role that Western Europe has acquired in global migration networks. In the process, numerous EU member states have turned from net emigration countries into net immigration countries (Figure 1.1). For instance,

Belgium registered a high and further growing share of immigrants early on during the 1960s, especially from the EU-15. At the same time, due to decolonization, Belgium saw a sharp drop in the number of emigrants relative to its resident population. Other countries, such as Denmark, the Netherlands, Spain or the United Kingdom, have similarly become net immigration countries, with immigrants mainly from outside the EU-15. Following their accession to the EU during the early 2000s, most new member states in Central and Eastern Europe have experienced a steady increase in the number of emigrants departing for the EU-15.

Figure 1.1 Immigration and emigration stocks in EU member states 1960–2013
percentage of population by country and origin/destination



Source: Own calculations based on data from the World Bank Global Bilateral Migration Database and World Bank Bilateral Migration Matrix 2010/2013.

¹ The inclusion of ethnic German expellees in this migration dataset demonstrates the challenges that Özden et al. (2011) faced when harmonizing many data sources over several decades amid shifting country borders as well as the dissolution and creation of entire states. Generally, the data refer to the countries as they exist today, even though their borders may have shifted substantially or they may not have existed before the Balkan wars or the dissolution of the Soviet Union. Irrespective of shifts in the political landscape, data from geographical regions are mapped onto today's countries to allow for comparisons over time and avoid the artificial creation of 'new' migrant stocks at political junctures.

Overall, the prevalence of migration within Europe is higher than ever and this trend is accompanied by increasing numbers of immigrants from the rest of the world. Due to its bilateral (country-pair) nature, the World Bank data allow for a more detailed look at the distinct migration corridors that have developed during the last half century. In order to focus on the most important corridors, we limit our analysis in two ways:

- **We look only at the migrant relationships of EU-15 countries:** The EU-15 are responsible for about 88 percent of the entire EU's migrant stock (emigrants and immigrants combined) and are therefore part of most major migration channels in the EU-28.
- **We limit the number of bilateral migrant stocks to ensure analytical tractability:** We include the largest bilateral migrant stocks that cover 50 percent of total migrants in each year. The distribution of bilateral migration stocks is rather skewed such that a small number of bilateral corridors account for a large proportion of the overall migrant stock (Figure 1.2). For example, the largest 1 percent of bilateral migrant stocks covers 63 percent of migrants to and from the EU-15 in 1960 and 38 percent in 2013. Thus, while migrant stocks are still heavily concentrated, the degree of concentration has declined over time.

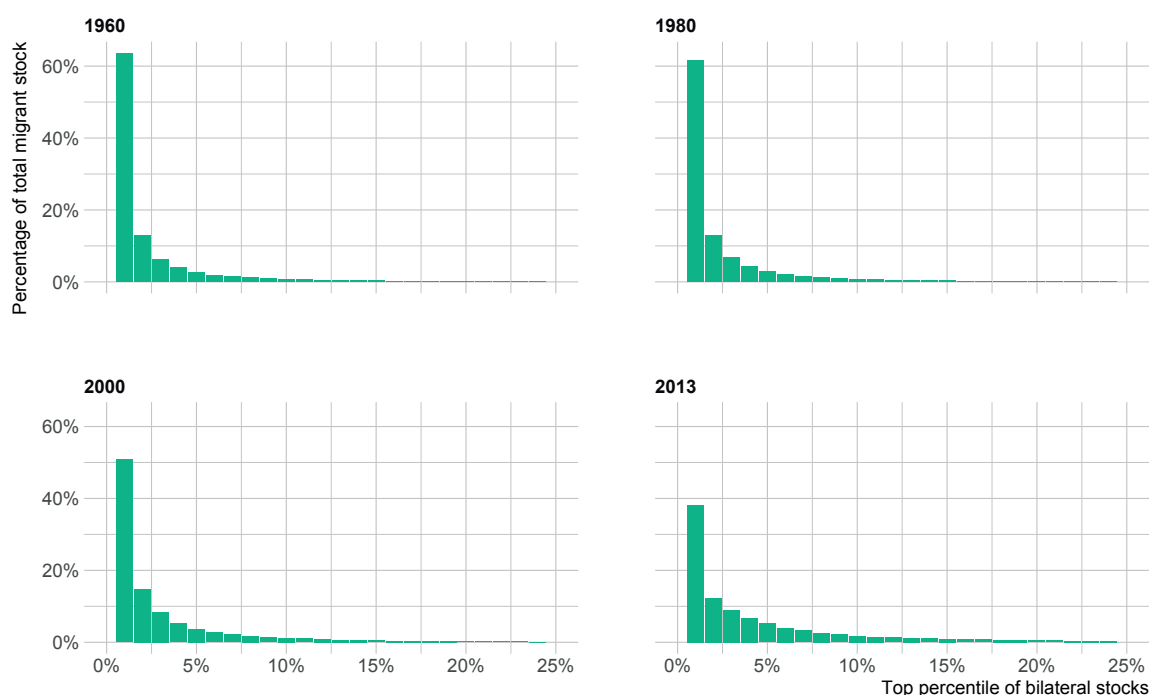
The chord diagrams in Figure 1.3 depict the main migration corridors in which EU-15 countries are involved, as well as their evolution over the last half century. In 1960,

historic emigration to the 'New World' (North and South America, Australia) still showed up through high numbers of emigrants there from EU-15 countries (3.9 million in the U.S. alone). Within Europe, the consequences of population displacements in the aftermath of World War II and the beginnings of decolonization were apparent. While about 750,000 Belgians still lived in their soon-to-be former colony of the Congo, emigrants from Algeria had started to move to France. Among the German population, the largest foreign-born groups came from Poland and the Czech Republic – mostly, expellees of German origin.¹

By 1980, new migration corridors had been created through 'guest worker' programs in Europe, which had run until the mid-1970s, and subsequent immigration by family members. Prominently, there were 1.7 million Turkish immigrants in Germany. Smaller bilateral stocks reflected migrant communities from southern Europe (Portugal, Spain, and Italy) in northern Europe (Germany and France). Ireland experienced strong emigration from 1960 to 1980, particularly to the United Kingdom and the U.S.

In 2000, the effects of the Balkan wars became visible from significant numbers of Croatian and Bosnian migrants in Germany and Austria. The collapse of the isolationist regime in Albania led to the emergence of Albanian migrant communities in Italy, Greece, and Germany. By 2013, several additional large corridors had emerged. Spain became an important destination during a macro-economic and construction boom that lasted until 2008, with large immigrant communities from Morocco, South

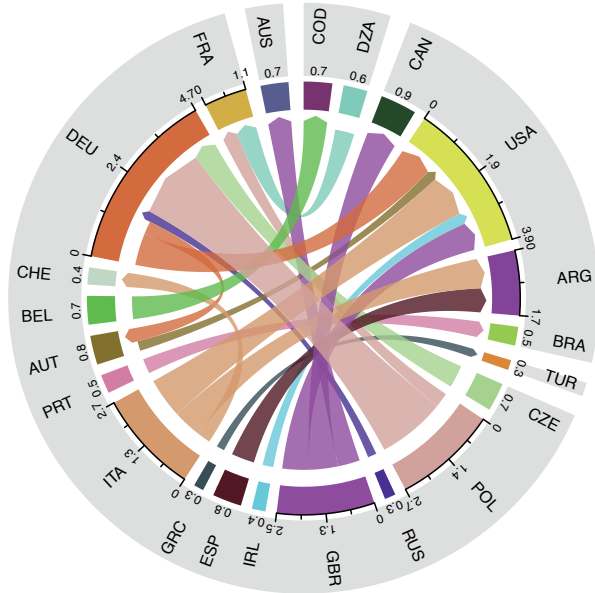
Figure 1.2 Distribution of bilateral migrant stocks for EU15 countries, by decreasing size and year



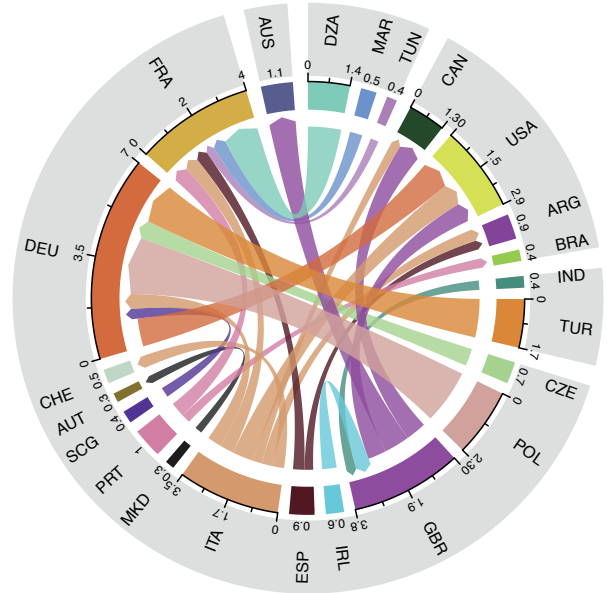
Source: Own calculations based on data from the World Bank Global Bilateral Migration Database and World Bank Bilateral Migration Matrix 2010/2013.

Figure 1.3 Bilateral Migrant Stocks 1960–2013

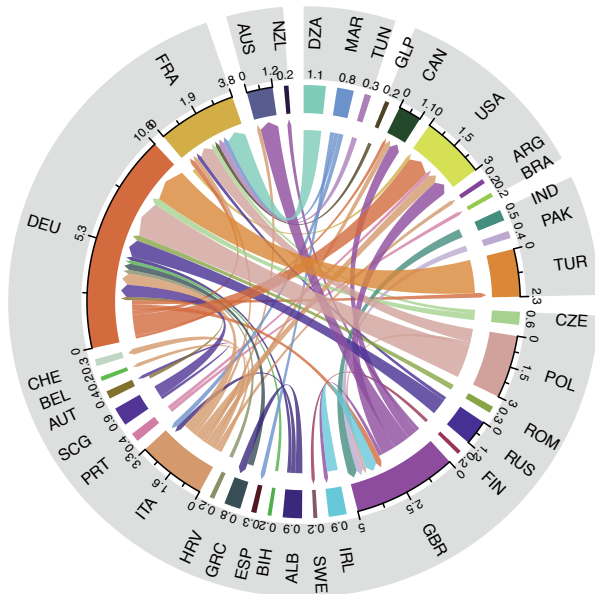
1960: 14 million migrants



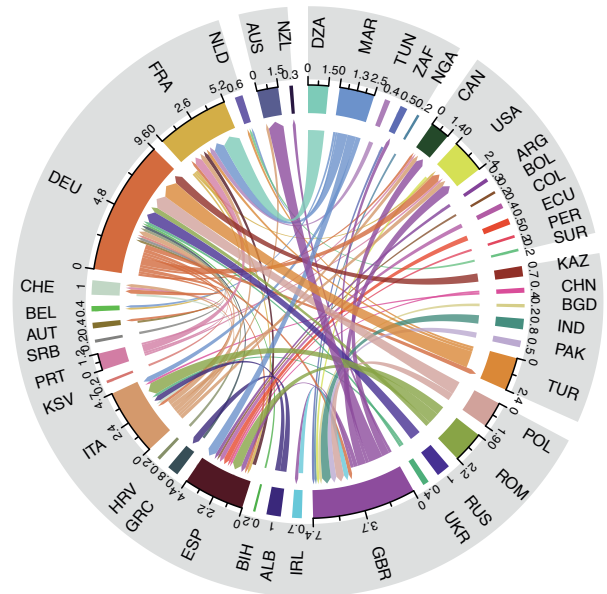
1980: 18.2 million migrants



2000: 22.6 million migrants



2013: 30.5 million migrants



Source: Own calculations based on data from the World Bank Global Bilateral Migration Database and World Bank Bilateral Migration Matrix 2010/2013.

America, and Romania. Historical legacies were behind the large number of mostly ethnic German immigrants from Kazakhstan and Russia.

Overall, the prevalence of immigration has increased substantially in Western Europe and immigrants come from increasingly diverse countries of origin. However, due to their different migration histories, EU member states are still experiencing the latest wave of immigra-

tion at different levels. While some member states have become major destinations for several countries of origin and more than 1 in 10 residents are immigrants, other member states, especially in Eastern Europe, remain only mildly affected. Such regional differences extend not only to the prevalence of immigration and emigration, but also to migrants' countries of origin.

1.2 Diversity of immigrants and immigration experiences

Lead authors: Mehtap Akgüç and David Benček

During the last half century, the number of immigrants in the old EU member states (the EU-15) has grown sharply. At the same time, immigrants have also become much more diverse not only in terms of their countries of origin (section 1.1), but also in other respects. While most immigrants face the same broad challenges – learning the local language, finding work commensurate with their skills, securing a good education for their children – how they manage them depends on their socioeconomic characteristics along with the sociological, political, and economic factors that brought them to their host country. In this section, we highlight the diversity of immigrants and immigration experiences in key dimensions as a background particularly for integration experiences and popular attitudes to immigrants and immigration in chapter 3.

Across the EU, there is a divide between the old member states (EU-15) with a high prevalence of immigration and the new member states (EU-13) where immigration

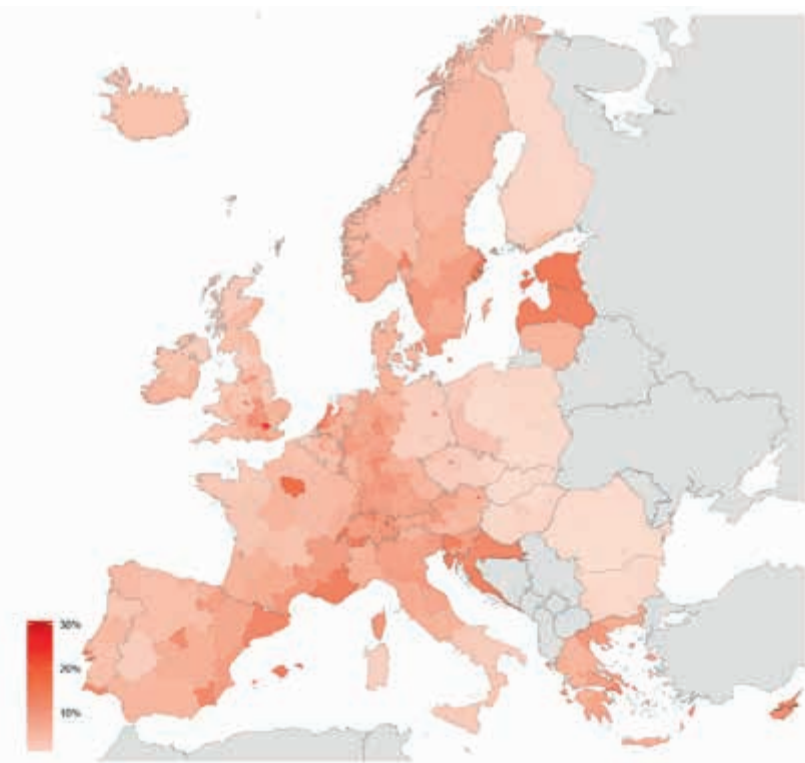
is mostly a recent phenomenon and still at a much lower level (see Figure 1.1 above). However, regional disparities in immigration prevalence exist not only across countries. Immigrants from outside the EU are also strongly concentrated even within countries at the level of NUTS 2 regions (Figure 1.4). Apart from the fact that there are pronounced differences across regions, the pattern of regional concentrations represents many factors, including historical legacies: East Germany (with almost no foreign-born residents) vs West Germany (with immigration from Turkey and former Yugoslavia since the 1960s); the Baltic States, with many individuals born in other former Soviet republics; and the South of France, with many returnees following the decolonization of North Africa. Legacies apart, foreign-born residents from outside the EU are especially prominent in highly urbanized and industrialized regions, including London and the Midlands, Paris, Frankfurt, Oslo, and Stockholm.

By contrast, the prevalence of immigration within the EU is much more even across regions, at least within countries (Figure 1.5). It is also lower, overall, which may be surprising because there are no restrictions on labor mobility within the EU.² Again, historical legacies matter. In Germany, the high prevalence of immigration reflects both post-World War II expellees from Poland and the Czech Republic (throughout Germany) and labor migrants from southern Europe since the 1960s (see Figure 1.3). Also, the European institutions in Luxembourg and Brussels have clearly left their marks on the composition of the local population. Switzerland became an attractive destination for emigrants from many EU countries, including high-income ones like Germany, after it opened its labor market to EU-15 citizens in 2007. Ireland and Iceland attracted many migrants from the EU, including from the new member states, during the economic boom that preceded their 2008 financial crises. Overall, these patterns suggest that immigration in the EU is still largely driven by income differences between countries of origin and destination, rather than the result of integrated labor markets between countries at similar income levels. Among the latter, presumably, migration costs (in terms of languages, legal frameworks, tax and social insurance issues) are still so large as to outweigh any benefits from access to a larger market.

Immigrants' original motivations do not differ much across destination countries in the EU, nor between immigrants from the rest of the EU vs the rest of the world (Figure 1.6). Among working-age immigrants in the EU family reasons predominate throughout, although they are particularly prominent among immigrants from non-EU countries (where this is the only migration channel open to many citizens). For citizens of many non-EU countries with diasporas in Europe, family unification has

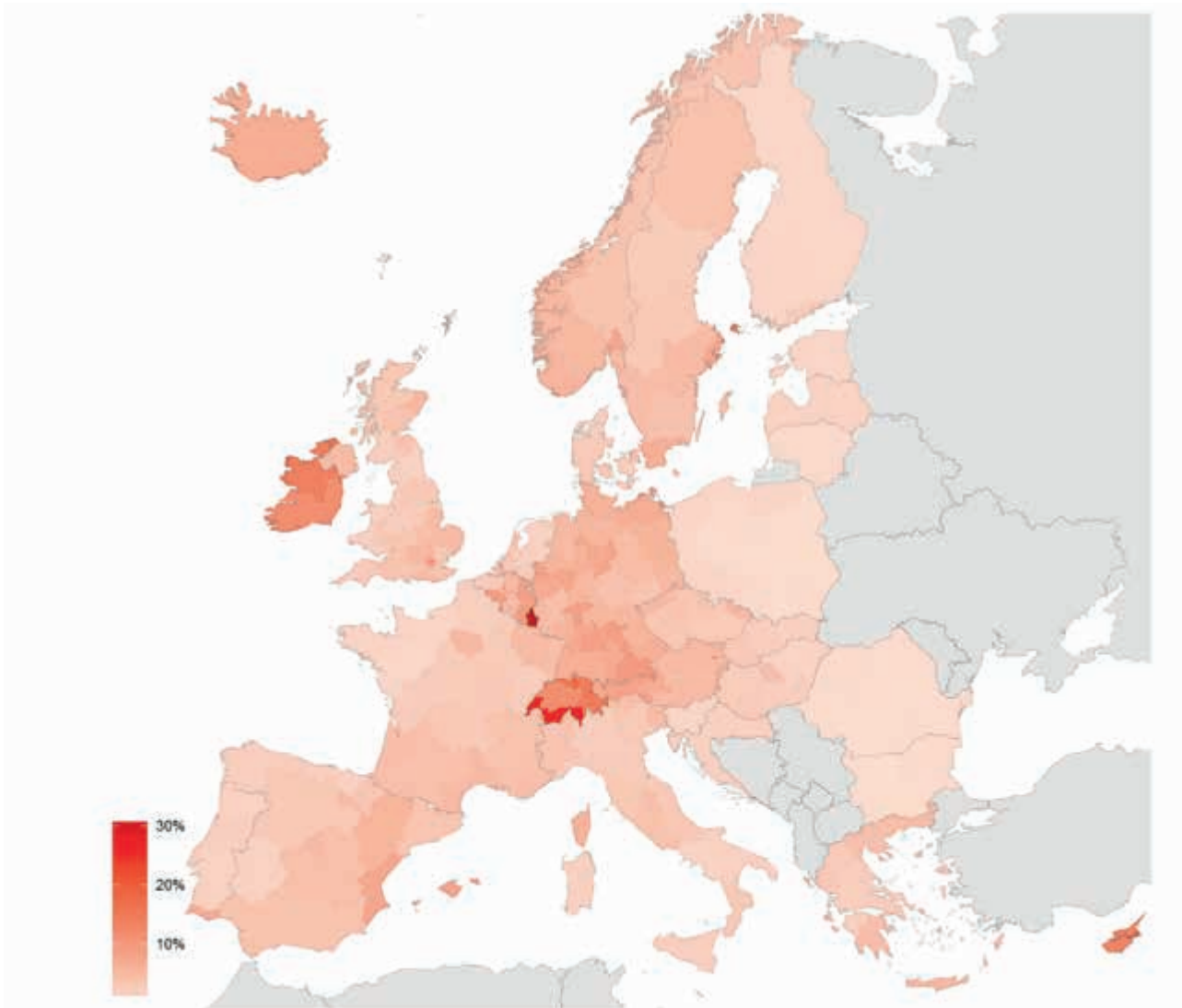
² Citizens of some new member states (among the EU-13) were still subject to transitory restrictions on their mobility for work in some old member states in 2011.

Figure 1.4 Non-EU Migrants 2011
percentage of population born outside the EU, by NUTS-2 region



Source: Eurostat, cens_11cobe_r2; GISCO - Eurostat (European Commission); Administrative boundaries: © EuroGeographics, UN-FAO, Turkstat; own calculations.

Figure 1.5 EU Migrants 2011
percentage of population born in another EU country, by NUTS-2 region



Source: Own calculations based on data from Eurostat (cens_11cobe_r2 and the Geographic Information System of the Commission – GISCO); administrative boundaries derived from EuroGeographics (© EuroGeographics), UN Food and Agriculture Organization, and Turkstat.

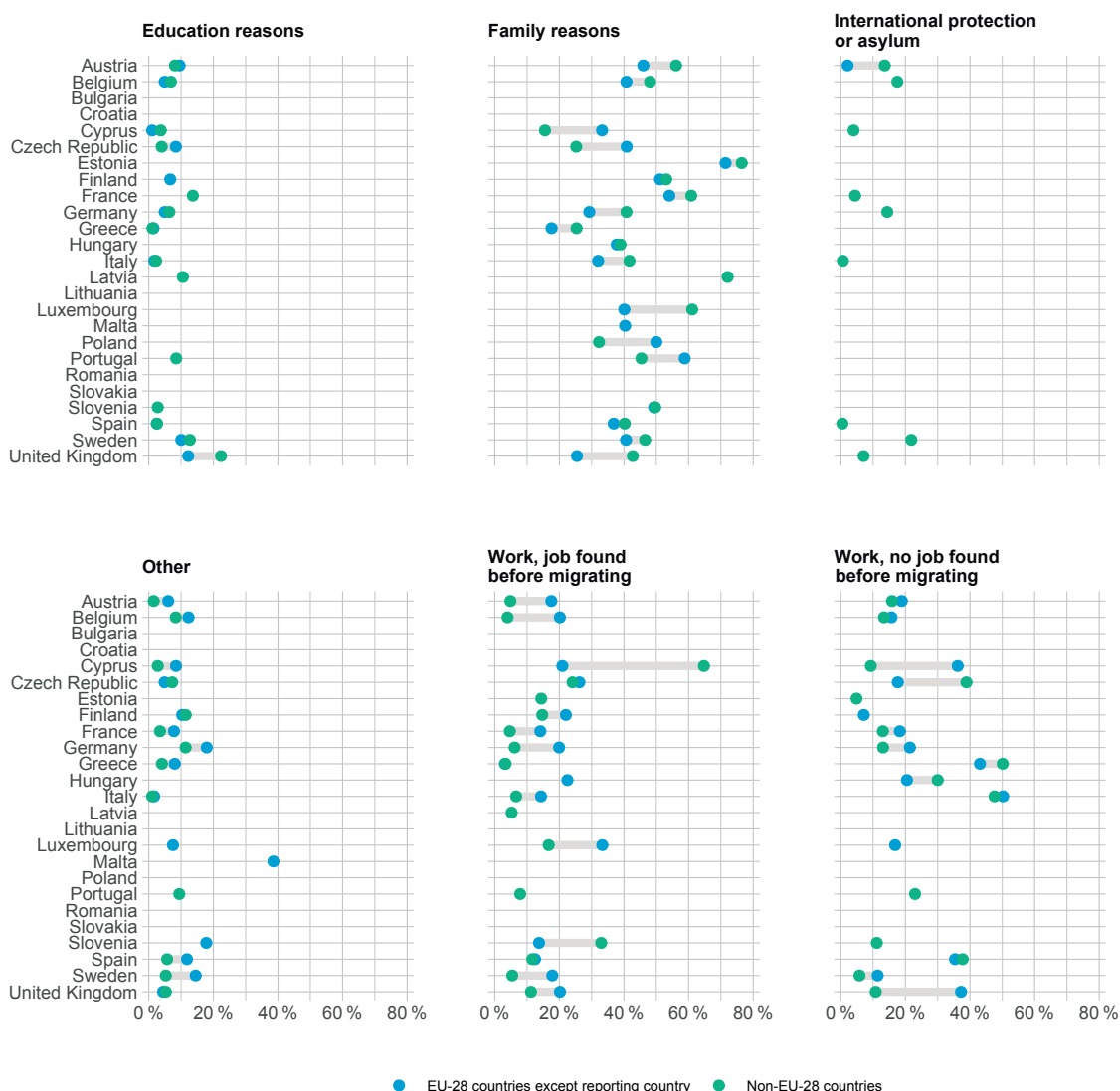
long been the main migration channel to Europe. Often it involves marriage with a spouse of a similar ethnic background who already lives in the EU. Many of these immigrants have found social and economic integration in the EU challenging as their knowledge of the local language tends to be limited and they have few educational or vocational qualifications that would be useful in the labor market of the destination country. Those who have originally come to seek protection are from outside the EU (naturally) and live mostly in a few EU member states (Austria, Belgium, Germany, and Sweden). More immigrants from within than outside the EU had already found a job before migrating. Although most new EU member states have seen little immigration so far (Figures 1.4 and 1.5), the prevalence of emigration from the EU-13 has increased substantially since 1990, when Communist regimes collapsed and citizens became free to emigrate (Figure 1.7 below). The increase accelerated from 2000 until 2010, as

growing numbers of EU-13 citizens gradually benefitted from free labor mobility within the EU. While the emigration rates for men were higher than for women until 2000, women had nearly caught up with men in 2010, reflecting similar trends in other world regions (Gabaccia 2016).

By contrast, emigration rates for the EU-15 countries have been similar for men and women since 1990 and practically stagnant at between 4 and 5 percent.³ With emigration rates of approximately 6 percent in 2010 in the EU-13, the decision of whether to emigrate or not has become one that many individuals in EU-13 countries take at least once in their lives. While one might expect that benefitting from free labor mobility may cause Eastern Europeans to adopt a positive attitude not only towards the EU, but also towards immigrants and immigration, the latter does not seem to be the case, at least for young people (Bertelsmann Stiftung 2017). We discuss the extent and drivers of popular support for EU-wide asylum policies further in chapter 2.

³ Emigration rates across countries in the rest of the world vary widely, with very low rates in populous countries such as China and India depressing the average for the group as a whole.

Figure 1.6 Motivation to migrate
percentage of total foreign-born migrants aged 15-64 by reason, origin and destination



Source: Own calculations based on data from Eurostat, Labour Force Survey, ad hoc module 2014 (Migration and Labour Market).

When we consider the gender balance of immigrants in the EU-28, a similar trend emerges (Figure 1.8). The shares of female immigrants from the rest of the world as well as from the EU-13 caught up with the corresponding shares of male immigrants around 2000 and have been almost identical since then. Growing employment of immigrant women from Romania and Ukraine in care-giving, especially in southern Europe, has probably helped to sustain that trend.

Finally, the skill composition of immigrants, measured by educational attainment, varies substantially across EU member states (Figure 1.9). We rely on the IAB (Institute for Employment Research) brain-drain data (Brücker, Capuano, and Marfouk 2013), which distinguish three levels of education: low-skilled (no schooling, primary, and lower secondary education); medium-skilled (upper secondary education with a high school leaving certificate or equivalent) and high-skilled (tertiary education with higher than a high school leaving certificate or equivalent). Not surprisingly, OECD countries that have pursued an active, selective immigration policy, such as Australia, Canada, New Zealand, and the U.S., have attracted

high numbers of high-skilled migrants, both relative to their resident populations and to total immigration. By contrast, the share of high-skilled immigrants in the resident population is small in many EU member states on the European Continent, such as Austria, France, the Netherlands, and Germany. These destination countries set themselves on a path for predominantly low- and medium-skilled immigration when they targeted those groups in their controlled labor migration schemes (e.g. guest-worker programs) from the early 1960s until the mid-1970s. Although these programs were halted when labor markets deteriorated after 1973, subsequent family unification brought in more immigrants with similar education levels.

Thus, although most immigrants face some broadly similar challenges, their immigration and integration experiences (see section 3.1) as well as their economic impact on their destination countries are diverse. In this report, we address pressing issues in EU asylum and immigration policies that relate to important groups of immigrants and residents. While we aim at relevance, we will also seek to be clear about the limits of where our analyses apply.

Figure 1.7 Emigration Rates 1980–2010
population-weighted average proportion of migrants over the pre-migration population by gender and broad group of origin

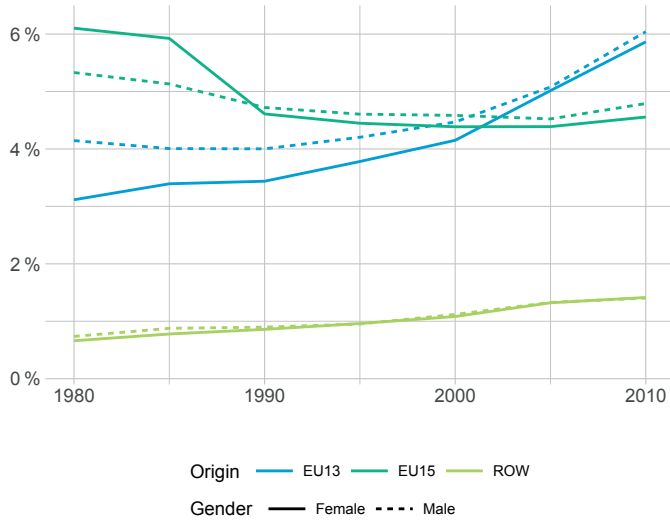
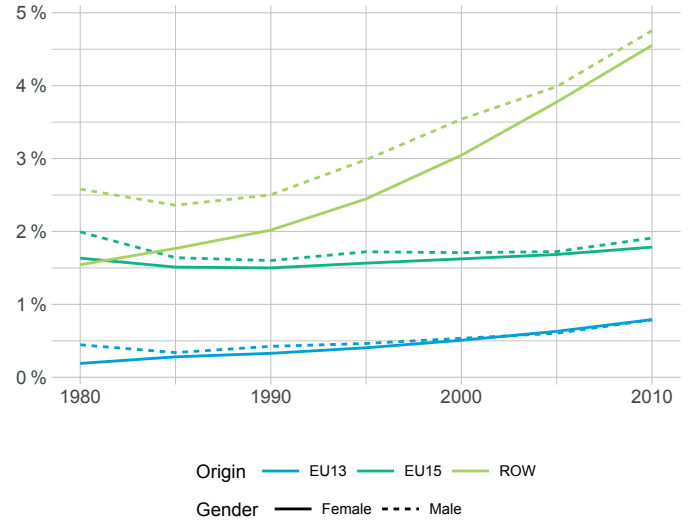


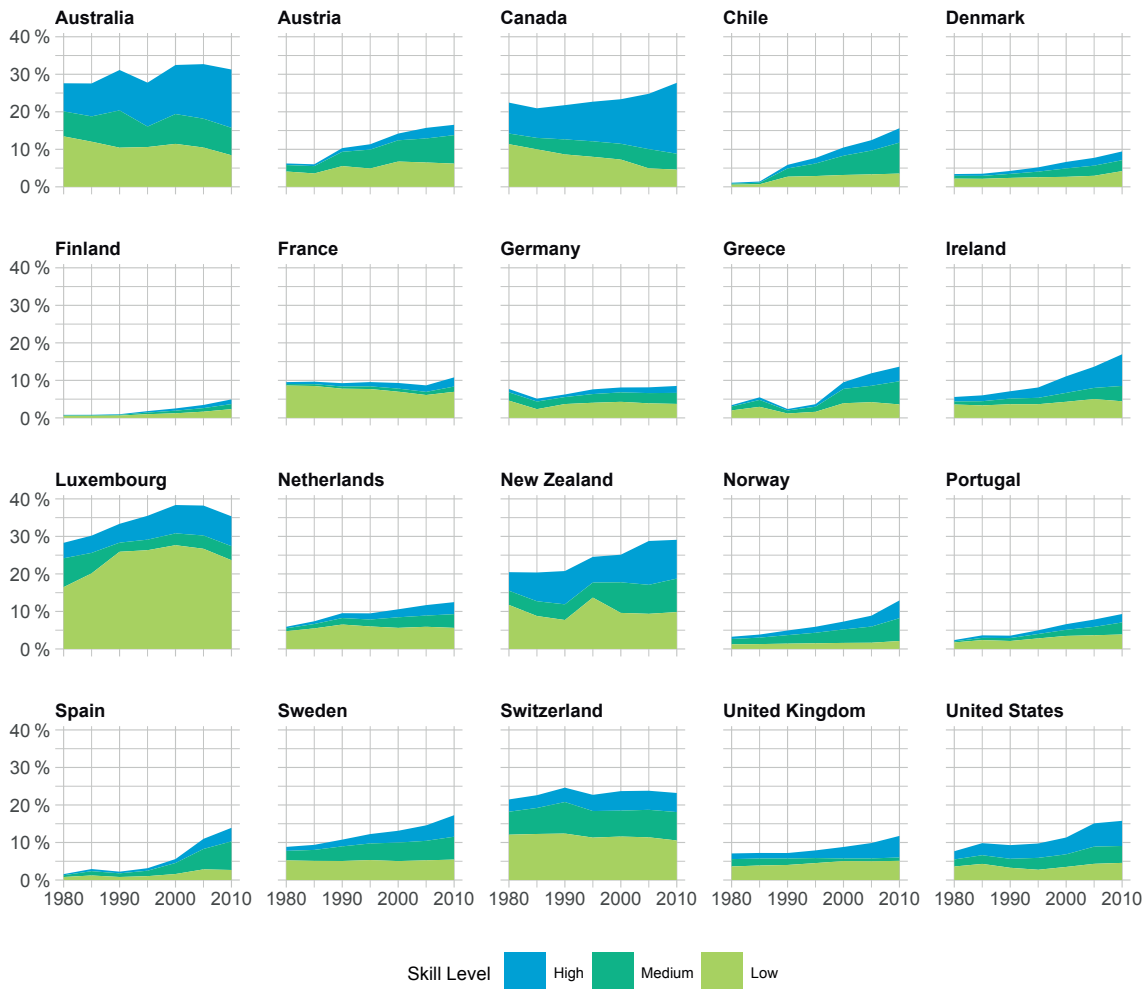
Figure 1.8 Immigrant Stock in EU28 1980–2010
percentage of total population aged 25 or older, by broad group of origin and gender



Source: Own calculations based on IAB brain-drain data (Brücker et al. 2013) and UN Population Division Statistics.

Source: Own calculations based on IAB brain-drain data (Brücker et al. 2013) and UN Population Division Statistics.

Figure 1.9 Immigrant Stock 1980–2010
percentage of population aged 25 or older by skill level



Source: Own calculations based on Brücker et al. (2013) and UN Population Division Statistics.

1.3 Displacement, integration, and return: Lessons from Bosnian refugees in the 1990s

Lead authors: Mikkel Barslund and Lars Ludolph

While the number of refugees on the move within the EU in 2015 may well have been the highest since World War II, European countries have experienced similar episodes in the recent past.

The refugee inflow of 2015 in many ways resembled what a number of countries experienced at the beginning of the 1990s when the collapse of communist Yugoslavia led to a series of regional wars. Over the course of a brief period, 1.2 million Bosnians fled their country as war refugees and more than half a million sought refuge in Western Europe, a situation similar to today's (Valenta and Ramet 2011; Valenta and Strabac 2013). Moreover, both refugee waves affected the same set of countries: Austria, Denmark, Germany, the Netherlands, and Sweden all saw a large absolute and relative influx of refugees in 2015 and between 1992 and 1995, when most Bosnians arrived in Western Europe (Table 1.1).

Furthermore, not only the scale of refugee flows, but also the policy debates at the time resemble the present situation: prominent issues included international burden sharing (then mostly among European countries) and

what level of support and integration to provide to refugees in reception countries.

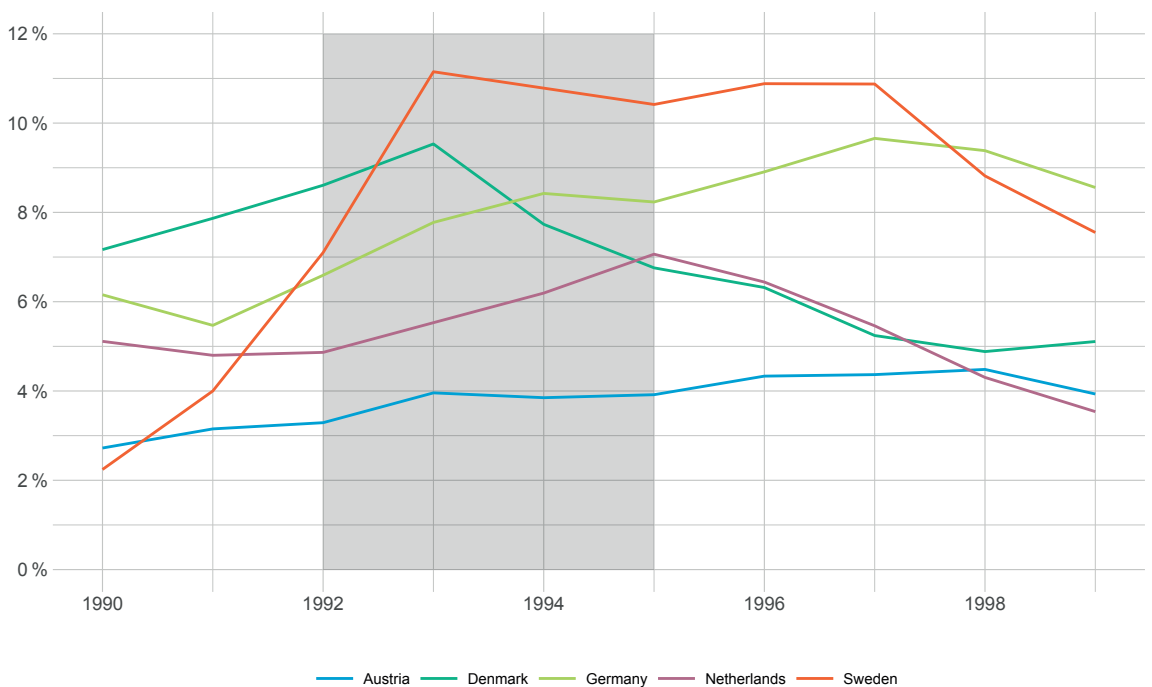
In a recent comparative study, Barslund et al. (2016)⁴ trace the integration experience of Bosnian refugees in the five main host countries to draw lessons for the current wave of refugees. Arguably, integration is inherently a slow-moving process. Looking closely at Bosnian refugees two decades after the end of the Bosnian war allows for a more long-term view on integration outcomes.

The five host countries make for a particularly interesting comparison because they differed in important ways when the Bosnians arrived (Figure 1.10).

Sweden had just entered what would turn out to be a prolonged economic crisis. Unemployment was high in Denmark too, but the subsequent path was one of falling unemployment rates and high growth for the following decade. The Netherlands as well as Austria were running at or close to full employment, while Germany was entering the period of being labelled 'the sick man of Europe'.

This situation was reflected to some extent in the approach to the initial reception of those fleeing the Bos-

Figure 1.10 Unemployment rates at the time of the Bosnian war in percent



⁴ This study which was conducted within the framework of the MEDAM project forms the basis of section 1.3.

Source: Own elaboration based the IMF World Economic Outlook.

nian war. Refugees only received temporary protection at the time of their arrival in all Western European countries. This was mainly a political compromise (Black and Koser 1999). For host countries, it was the only way of dealing with the large influx of refugees without amending or overburdening their asylum systems.

At the same time, the UNHCR wanted to push the issue of burden sharing of refugees across Europe. Temporary protection left the door open to involve those Western countries that had not initially experienced an influx of refugees displaced from former Yugoslavia. This strategy turned out to be largely unsuccessful and no reallocation mechanism was agreed upon. An additional concern was whether granting refugees permanent residency upon arrival would institutionalize the widespread ethnic cleansing going on in parts of Bosnia.

Although all host countries initially provided only temporary protection, there were large differences in the legal and institutional approach to dealing with the influx of Bosnian refugees. Three broad categories emerged among the five countries studied in Barslund et al. (2016). Sweden granted refugees permanent residency and labour market access shortly after arrival and any repatriation was voluntary. Austria, Denmark and the Netherlands converted the initial temporary asylum (with limited labor market access) into permanent residency with full labour market

Table 1.1 Overview of registered refugees from Bosnia and Herzegovina, 1992–95

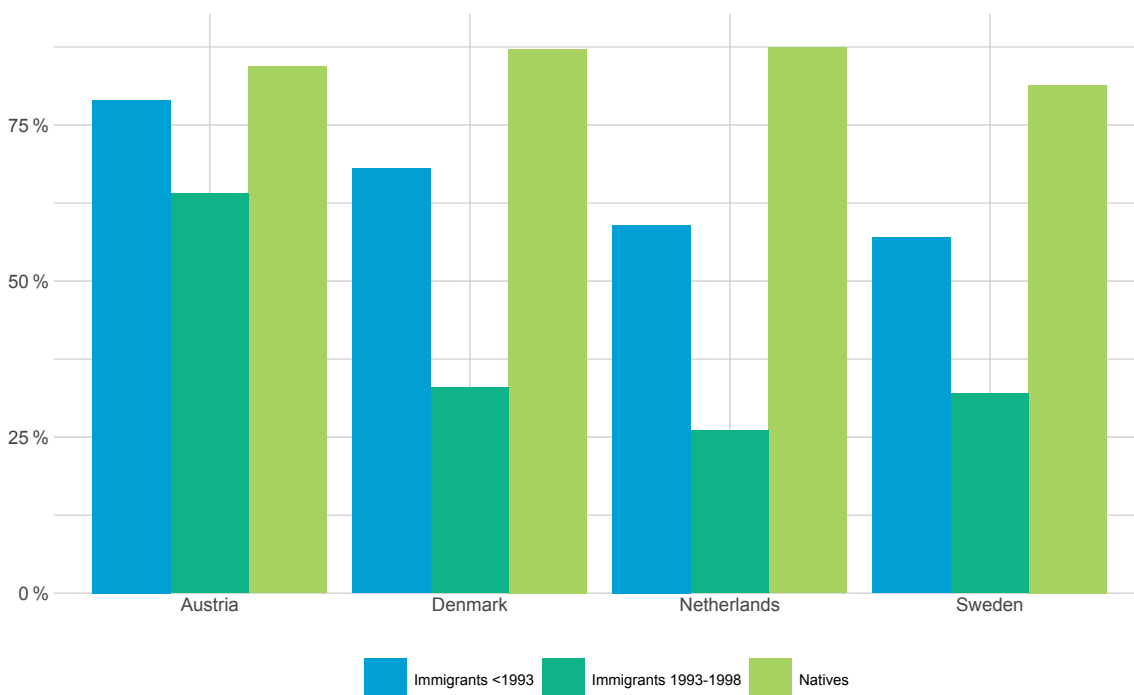
Receiving country	Number of registered refugees from Bosnia and Herzegovina	Number of refugees from Bosnia and Herzegovina as a share of the host country's population (%)
Germany	320,000	0.4
Austria	86,500	1.1
Sweden	58,700	0.7
The Netherlands	22,00	0.1
Denmark	17,00	0.3

Sources: Barslund et al. (2016), Valenta and Ramet (2011) and the OECD population database; population data from 1992.

access after a few years. In these countries, although there was some coercion initially, repatriation policies in practice focused on support for voluntary returnees (Valenta and Strabac 2013). Finally, Germany never intended to host Bosnian refugees permanently and repatriated the vast majority of them on a mandatory basis as soon as the war ended.

Against this background, one might expect very different outcomes regarding integration in the medium to long run. However, Germany apart, the overall story is

Figure 1.11 Employment rate of immigrants from former Yugoslavia and host population in 1998 in various host countries in percent



Sources: Own elaboration based on Angrist and Kugler (2003) and the Eurostat Labor Force Survey.

one of successful integration in all host countries. Differences are most pronounced in the speed of integration, not in the long-term outcome. Labor market outcomes, measured by employment rates, differ across countries in ways that can be linked to both their approach to integration and their initial labor market conditions.

Employment rates picked up fast in Austria where in 1998, 64 percent of Bosnian refugees were in employment⁵ (Figure 1.11 above). By contrast integration had barely begun in the other three countries. Sweden's double-digit unemployment rate was a factor, whereas the lack of labor market integration in Denmark and the Netherlands – which were both close to full employment in 1998 – may reflect a lack of integration measures early on.

Employment then picked up in all countries, albeit at a different pace. In Austria, labor market outcomes around ten years after the end of the Bosnian war were already on par with those of the native population. In Denmark, the Netherlands and Sweden, Bosnians still participated significantly less in the labor market and showed higher unemployment rates, but the gap with respect to the native population clearly began to close, in particular for the younger age groups (Bevelander et al. 2009; van den Maagdenberg 2004).

Recent evidence from Denmark and the Netherlands indicates that the educational attainment of young and second-generation Bosnians is on par with, or even exceeds that of the corresponding native population. More time is needed to assess if the gains in educational achievements of the second generation translate into higher employment rates, but the initial assessment is encouraging.

Overall, the results point to four interesting findings. First, with favorable integration policies and labor market conditions, the employment rate reached that of the native population in little more than a decade (the Austrian case). Second, granting the right to work quickly upon arrival is important, but failure to do so can be overcome over time (Denmark, the Netherlands). Third, initial unemployment levels in host countries are important for short-term labor market integration (the case of Sweden). Although this is hardly surprising, it does bear upon a possible reallocation of refugees across EU member states (see section 2.3). Finally, second-generation Bosnians, or those who arrived at a young age, perform roughly on par with native cohorts. We deem this to be a sign of a completed integration process.

Rebuilding Bosnia: Remittances and returnees

By the time of the Dayton peace agreement in 1995, more than 2 million Bosnians had been displaced from their homes, of whom more than a million lived outside Bosnia and Herzegovina. While many refugees outside Bosnia subsequently returned to their home country (notably from Germany), many more chose to stay in their countries of asylum. Since the peace agreement, emigration has continued and the current size of the diaspora is estimated at a little less than 2 million, or around 50 percent of the current population of Bosnia (BiH 2016; World Bank 2016).

The return of Bosnian refugees was complicated by the ethnic aspects of the war. Even after the peace agreement, many internally displaced Bosnians could not, or were not willing to return to their former homes in so-called minority areas where they feared persecution. Ethnic divi-

sions also politicized the process, with some local authorities reportedly discouraging return (ICG 2002). As of early 2017, according to UNHCR, there are still around 100,000 internally displaced people in Bosnia.

It is therefore unsurprising that the process of repatriating refugees is most often seen as problematic in the literature. A lot of early repatriation after the peace agreement was 'forced' (mainly from Germany), and some returnees became internally displaced in Bosnia and Herzegovina (Franz 2010). Return was further hampered by difficult economic conditions, with the official unemployment rate around 40 percent for most of the post-war period. In a qualitative study of 40 resettled Bosnians, de Koning (2008) reports that 'a large majority' of those interviewed would leave Bosnia again if they had the chance. This suggests that for many refugees, repatriation was not a positive experience.

Only scant quantitative evidence exists on the wealth and human capital embodied in returnees to Bosnia and Herzegovina. While a World Bank survey from 2001 finds that refugees and internally displaced individuals were at higher risk of poverty than those not displaced by the war (World Bank 2002), this may be a consequence of displacement, rather than low levels of education on the part of returnees.

With such a large diaspora, remittances play a crucial role in the economy of Bosnian and Herzegovina. The World Bank estimates that remittances received from abroad amounted to more than 11 percent of GDP in 2014, down from almost 20 percent prior to the financial crisis (World Bank 2015). An analysis of the 2011 Household Budget Survey shows that 1 in 20 households receive money from abroad every year. Hence, remittances are important in sustaining the livelihoods of recipient households. Large inflows of remittances also typically raise demand for local goods and services along with the reservation wage of recipients, contributing to an increase in the economy-wide real wage (until 2012 in the case of Bosnia and Herzegovina). Thus, indirectly, the benefits of remittances extend beyond recipient households.

There is little evidence on the specific role of remittances in the process of rebuilding post-war Bosnia and Herzegovina. Demirgüç-Kunt et al. (2009) find that in post-conflict economies, individuals who receive remittances from abroad are less likely to become entrepreneurs. The World Bank reports that one structural problem of Bosnia and Herzegovina's economy is an overreliance on consumption and capital inflows, and an underdeveloped export sector (World Bank 2015). These observations are compatible with the 'Dutch disease' effect of remittances: real wage growth through more demand for local goods and services renders manufactured exports less competitive.

In Bosnia and elsewhere, remittances are often associated with a lower GDP growth rate because they tend to weaken, through various channels, the incentives to invest in human capital. Nevertheless, Bosnian residents, both direct recipients of remittances and indirect beneficiaries through a higher real wage, enjoy a higher income level and living standard than they would in the absence of remittances. Those host countries that allowed Bosnian refugees to stay, work, and send remittances, rather than requiring them to return home after the war, have therefore indirectly supported Bosnia's post-war economic recovery.

⁵ Note that Bosnians cannot be clearly identified in the sample. However, cross-checking with macroeconomic statistics of refugee migration flows from the UNHCR between 1993 and 1998 reveals that the vast majority of former Yugoslav nationals entering into Western European countries were indeed Bosnians.

2. The global governance of refugee protection and challenges to the EU asylum system

The large number of asylum seekers who arrived in the EU irregularly in the second half of 2015 and early 2016 has brought to a head the long-standing, underlying tensions in the EU asylum system. The main destination countries, including Sweden, Germany, and Austria, rapidly reached a point where they considered themselves over-burdened and began to limit the further inflow of asylum seekers by closing their borders. Restrictions affected several borders within the EU Schengen area, along with the Western Balkans migrant route and the EU's external border with Turkey, where Turkey agreed to curb people smuggling on its territory.

The EU now seeks to conclude similar agreements with southern Mediterranean countries to close the central Mediterranean migrant route through Libya and on to Italy as well. The European Commission is also involved in a discussion with member states on how to distribute refugees and the associated financial burden fairly within the European Union. All the while, the countries of first arrival on the EU periphery (especially Greece and Italy) are struggling to host and process even the much lower numbers of asylum seekers who are continuing to land on their shores in early 2017.

In this chapter, we begin by considering the global governance of refugee protection and the EU's proper role in the international sharing of responsibility for hosting refugees. We then ask how this role may be translated into a functional EU asylum system and sharing of responsibilities among the European Union and individual member states. In section 2.1, we discuss the public good nature of refugee protection, how it is only imperfectly reflected in the 1951 Refugee Convention, and how the EU should assume its fair share of responsibility for the hosting of refugees worldwide.

In section 2.2, we take a close look at the multilevel governance of asylum and refugee protection within the European Union. We explain how interdependencies and spillovers among various policy areas – sharing responsibility for the hosting of refugees in non-EU countries, managing external EU border security, ensuring adequate reception of asylum seekers, processing asylum applications, hosting recognized refugees, ensuring the return of unsuccessful applicants to their countries of origin – necessitate a carefully coordinated response at the EU, national, and sub-national levels. Against this background, we discuss salient proposals to reform the EU asylum system in section 2.3.

2.1 The protection of refugees as a global public good and its global governance

Lead author: Matthias Lücke

Global governance of refugee protection

The global governance of refugee protection is centered on the 1951 Refugee Convention, which grants protection in signatory states to individuals who are “persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion” (Article 1; United Nations High Commissioner for Refugees (UNHCR) 2010). They are not to be penalized for entering the coun-

try of asylum irregularly if they have come there directly from a country where their life or freedom was threatened (Article 31). Also, they may not be expelled or returned to any country where their life or freedom would be at risk (Article 33). The Convention and its associated protocols have been signed by nearly 150 countries (UNHCR 2015). We therefore consider it the benchmark for the global gov-

ernance of refugee protection, even though some important host countries, including in the Middle East, are not signatories.

Together, these rules imply that refugees must seek protection in the first safe country that they reach after leaving their country of origin; they are not free to choose their country of asylum. Thus, following displacement, geography and accident largely determine the allocation of refugees to safe countries. The Convention recognizes that granting asylum under such conditions “*may place unduly heavy burdens on certain countries*” and that the resulting problems need to be resolved through international cooperation (Preamble). However, the Convention fails to establish a framework, or even guidelines, for such cooperation.

Refugee protection as a public good

The main challenge for designing rules for international cooperation is that refugee protection is, in economic terms, a public good. Countries sign the Convention because they value the fact that individuals are entitled to protection if they flee their countries of origin for fear of persecution. However, countries value that fact irrespective of where the refugees are hosted. Since hosting refugees is costly, countries will normally prefer refugees to be hosted elsewhere, rather than hosting refugees themselves (and bearing the associated costs).

Technically speaking, this makes refugee protection a public good characterized by ‘non-rivalry’ and ‘non-excludability’: the benefits – the satisfaction of seeing refugees in need supported and the gain in regional security as refugee movements are properly managed – accrue to all countries, regardless of whether they help to ‘produce the public good’ by hosting refugees or paying for the hosting of refugees elsewhere.

Thus, each country faces numerous temptations to free ride: as long as refugees remain in the first safe country, other countries may drag their feet over providing financial support. Countries that would receive many refugees because of their geography may make themselves less hospitable so that refugees move on irregularly to other potential host countries or persecuted individuals stay in their countries of origin. Thus, without coordination, “too little of the public good of refugee protection will be produced” – or in plain language, potential refugees will not receive the protection that countries have collectively committed to provide by signing the 1951 Refugee Convention.¹

Coordination is relatively easy to achieve if the benefits from a public good arise, say, at the national level – such as secure property rights through internal security and a well-functioning legal system. Competent authorities (such as elected representatives in a democracy) decide on the level of provision (the number of police, courts, judges, etc.) as well as the financing (typically taxes levied according to individuals’ ability to pay).

In the case of refugee protection, there is an additional challenge because it is a global public good. Similar to other global public goods (for example, climate change mitigation), there is no global authority to set and enforce quality standards of refugee protection or taxes to pay for it. Thus, the absence of formal rules for an international sharing of responsibility for refugee protection, with the 1951 Refugee Convention merely calling for cooperation in its Preamble, reflects a fundamental underlying difficulty, rather than an oversight that could easily be corrected.¹

Global responsibility sharing for refugees

In practice, low- and middle-income countries host most international refugees (Figure 2.1). UN organizations, especially the UNHCR and World Food Program, and other donors provide humanitarian assistance (food aid, shelter) to most refugees in developing countries, often on a very long-term basis. Most humanitarian assistance is ultimately paid for by high-income country governments. While these efforts amount to substantial financial burden sharing, we have argued elsewhere in more detail (Lücke and Schneiderheinze 2017) that they fall short of a reasonable standard of global equity for three main reasons.

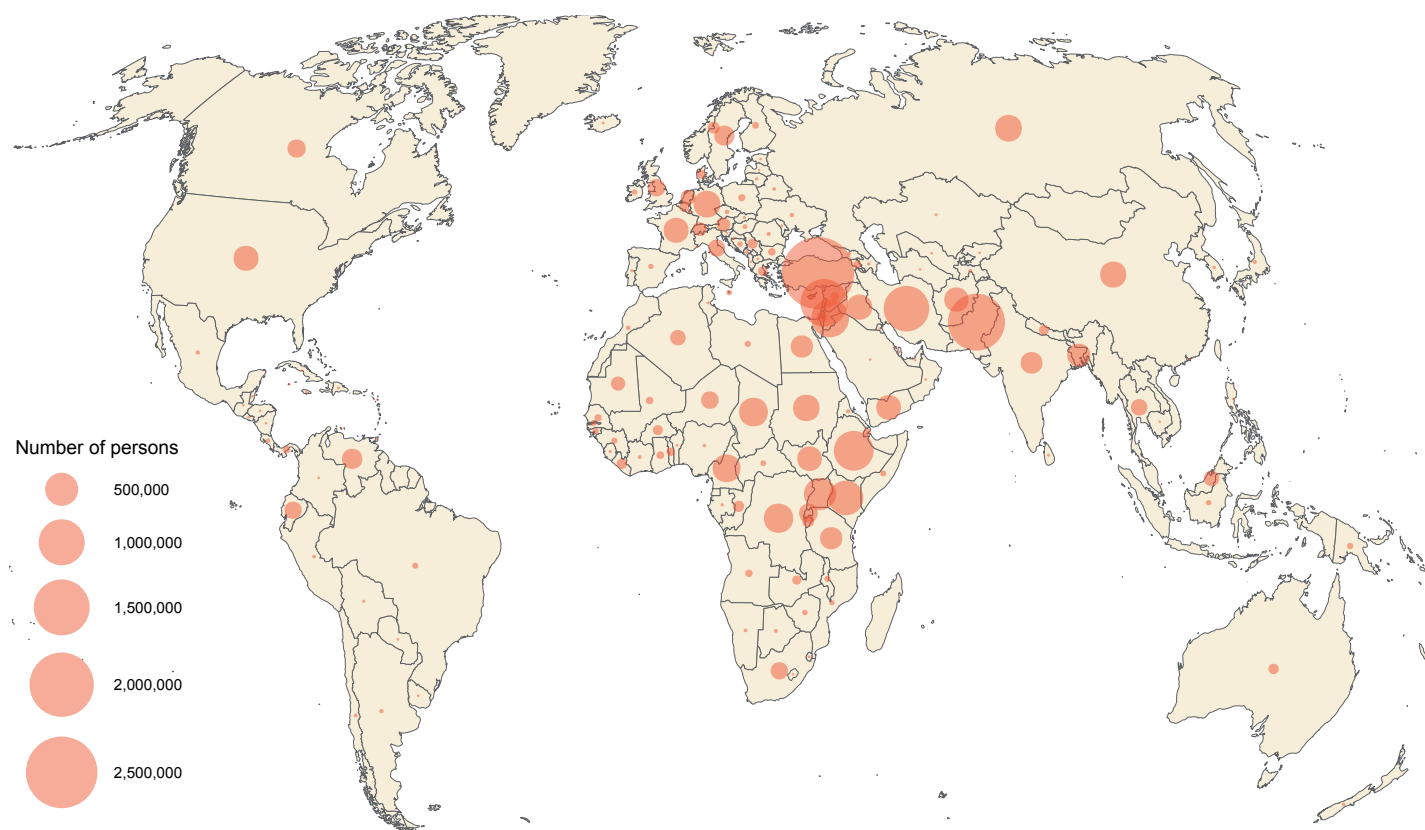
First, UN organizations raise most of their funds for specific, national aid programs. Many such refugee situations are ‘protracted’: nearly half of all refugees under the UNHCR’s mandate are in situations that last longer than a decade (UNHCR 2016, Figure 7). Yet, donors are prone to neglecting long-lasting aid programs, which makes funding unpredictable and has led to significant shortfalls in the recent past. For example, food rations had to be cut for Syrian refugees in the Middle East in late 2015, contributing to such secondary movements as the large irregular inflow of refugees into Europe during the same period (Lattimer, Sparks, and Tüchel 2016, Figures 2 and 3).

The required additional funding is not very large when compared, say, with total official development assistance at US\$ 147 billion in 2015:² available resources in 2015 fell short of needs by US\$ 9 billion for all UN-coordinated

¹ Hatton (2015) makes this point formally based on a theoretical model.

² See the OECD website at <https://data.oecd.org/oda/net-oda.htm>. This figure solely relates to member countries of the OECD’s Development Assistance Committee (DAC) and thus excludes China, among other non-traditional donors.

Figure 2.1: Refugees by host country, end-2015
total number of refugees, including persons in a refugee-like situation



Source: Own elaboration based on data from UNHCR Global Trends 2015.

appeals, with total needs budgeted at US\$ 20 billion (Global Humanitarian Assistance 2016, Figure 3.2). Still, more resources are urgently required in a more predictable manner to ensure that the basic needs of refugees are reliably met (High-Level Panel on Humanitarian Financing 2015).

Second, most refugees do not live in confined settlements but are dispersed among host country populations. Therefore, they use public services (education, health care), infrastructure (water, sanitation), and housing that are in limited supply in many low- and middle-income countries. Since public services and infrastructure are typically provided and paid for by host country governments, donors should help to overcome any shortages in funding or administrative capacity that host country governments may face when they expand public services and infrastructure to meet the needs of both refugees and local populations. On the donor side, this will require much closer cooperation between providers of humanitarian and development assistance as well as some additional funds (Bennett 2015).

Third, while more generous financing for humanitarian aid and human development would go a long way towards equitable burden sharing at the global level, it may not go far enough when small countries receive a large number of

refugees in a short time (say, Syrian refugees in Lebanon). In this case, more resettlement of vulnerable refugees to third countries, typically organized through the UNHCR, is necessary to relieve the excess burden that small countries would otherwise face.

In addition to the approximately 16 million international refugees who have moved abroad to seek protection, the UNHCR also protects or assists approximately 37 million internally displaced persons (IDPs), mostly in Africa and the Middle East (UNHCR 2016, Map 1 and Annex Table 1). IDPs have left their homes to escape violence or persecution but remain within their country of residence. In this Assessment Report, we do not further address their situation: although the UNHCR faces similar challenges, compared with international refugees, when raising funds from the international community to support IDPs, there is no question of who is responsible for hosting them because they remain in their own countries. However, when trying to predict future flows of international refugees, IDPs are an important group to watch because they have already been displaced from their homes and may have few roots where they currently live. Therefore, they may be more prone to seek protection across international borders than other groups that face violence or persecution but still live in their own homes.

Implications for the EU

Thus, the EU and its member states in their roles as humanitarian and development donors have a moral obligation to provide more substantial support in a predictable manner to non-EU countries (especially developing countries) that host many refugees. Moreover, this is not only a moral obligation that derives from the commitment made by signing the 1951 Refugee Convention to cooperate and equitably share responsibility for refugee protection at the global level. It also makes economic sense, for several reasons, for the EU and its member states to help ensure that all refugees are guaranteed decent material living conditions, access to essential public services and infrastructure, and the prospect of economic and social integration in their host countries.

For a start, when the basic needs of refugees are not met in the countries of first asylum, this is a push factor that drives refugees to consider moving on to richer countries with better living conditions, be it because of opportunities for employment and entrepreneurship or social transfers. For example, sharply deteriorating living conditions in the EU's southern neighborhood were in part responsible for the large irregular inflow of refugees into the EU in late 2015 and early 2016 (as explained above). Therefore, helping to ensure decent living conditions for refugees in their non-EU host countries should be viewed as part and parcel of a comprehensive EU approach to asylum policy.

In addition, refugees traveled from the Middle East to northern Europe in 2015 and early 2016 under unsafe conditions. Therefore, young men were significantly over-represented among those who made the journey, relative to refugees overall (although those young men who are already married may try to bring family members to the EU later, provided they qualify for family unification). Furthermore, some legs of the journey required assistance from 'intermediaries' (people smugglers), so access to finance was a precondition – sufficiently high savings or the ability to borrow in order to pay smugglers. Thus, many vulnerable refugees never had a chance to move to the EU, even though they might have benefited more than others, say, from access to medical care after suffering trauma or for frail or disabled family members. Overall, it is arguably fairer for the EU and its member states to make a determined effort to help meet the basic needs of all refugees in their host countries, rather than to grant privileged treatment to a self-selected few who travel irregularly to Europe.

Finally, because of the high cost of living in high-income EU member states, it is relatively expensive to host a poorly selected and still limited number of refugees in Sweden or Germany (in the case of Germany, approximately €20 billion in 2016).³ These resources could be used to substantially improve the well-being of a higher number of refugees in low- and middle-income countries, even while resettling some vulnerable refugees to the EU.

Thus, the thrust of the existing EU agreement with Turkey and future planned agreements with other southern neighborhood countries appears to be appropriate: the EU provides considerable financial and logistical support for the hosting of refugees and for their social and economic integration according to verifiable standards (see Section

2.3 for a more detailed discussion). In turn, the partner country tightens border security to prevent people smuggling and curb irregular migration to the EU. Additionally, EU member states resettle a limited number of refugees selected according to vulnerability, possibly under UNHCR auspices.

Concerns and responses

EU asylum procedures outside EU territory?

This approach to how the EU may live up to its responsibility to help protect refugees world-wide is subject to at least three concerns that have surfaced in the wider debate on the EU asylum regime. First, this approach aims to make it more difficult for asylum seekers to access asylum in the EU by preventing irregular travel to the EU. As an alternative, it offers better conditions for refugees in their present host countries, plus limited resettlement. However, this may not be good enough in some situations, for instance when refugees cannot reach a reliably safe country or the countries of first reception are severely overburdened by too many refugees relative to their own populations. In such situations, it has been proposed that individuals should be able to apply for EU asylum while they are still abroad (e.g. Barsbai and Braun 2016).

From a legal perspective, there are doubts about whether asylum procedures can be conducted outside EU territory (for a summary, see Carrera and Guild 2017). Ideally, the EU would set up offices in third countries, conduct asylum procedures there, and transfer successful applicants to the EU under refugee status (or equivalent). Legal concerns, understandably enough, center on whether EU legal standards can be guaranteed in third countries – either as a matter of principle, or because of the special nature of asylum procedures with applicants whose legal status in the transit country may not be secure.

At the same time, critics do not seem to be concerned that asylum in the EU is now mainly accessible to those who are physically strong and rich enough to survive irregular travel to the EU with the help of people smugglers. If the EU and its member states are to focus (as we propose) on hosting the most vulnerable refugees while contributing financially to the protection of all others, refugees must be selected for resettlement in their countries of first asylum. If individuals in need of protection cannot reach a reliably safe country, any opportunity to request protection while still in transit would be an improvement over the present situation. Even if full asylum procedures cannot legally be conducted while applicants are outside EU territory, EU member states need to find a substitute: they might request that the UNHCR select vulnerable refugees for resettlement (a standard procedure) or they may themselves issue humanitarian visas based on prima facie evidence that the applicant has a legitimate claim to protection in the EU, while full asylum procedures would be conducted in the EU later.

Refugee protection vs labor migration

Second, many immigrants currently apply for asylum in the EU but have their applications rejected because they cannot demonstrate that they have been persecuted

³ See Zeit online, September 22, 2016 (<http://www.zeit.de/wirtschaft/2016-09/fluechtlinge-haushalt-kosten>).

or require subsidiary protection. This is not surprising because many would-be labor migrants from non-EU countries have no legal access to employment in EU countries. Nonetheless, if they manage to travel to the EU irregularly (at present, many use the central Mediterranean migrant route through Libya, at considerable monetary cost and risk to their lives), they will normally be admitted in an EU member state for as long as it takes to process their asylum application. When that is turned down, they may still hope to file administrative or legal appeals, obtain temporary leave to stay in the EU because deportation would amount to undue hardship, receive social transfers in the meantime, find employment that may later lead to an amnesty and a residence permit, or simply stay in the country irregularly.

This situation poses several challenges. Most fundamentally, the distinction between refugee protection and labor migration becomes blurred. Individuals who face persecution at home have a right under the 1951 Refugee Convention to be protected in the first safe country that they reach, but they have no right to choose their country of asylum. By contrast, labor migrants have the right to leave their country of origin, but need permission from their intended destination country to move there – and the intended destination country is free to grant or not grant permission, according to whatever criteria it chooses to apply.

Curbing irregular immigration into the EU by individuals without a legitimate claim to protection is challenging because these immigrants are not driven by a single ‘push’ factor (such as refugees who face war or persecution at home). Rather, their migration decision is based on a complex calculus that involves conditions at home and in the desired destination country as well as the cost of migrating (see section 4.1 for a detailed discussion). Changing the underlying incentives thoroughly enough to make irregular migration to the EU appreciably less attractive will probably require a combination of measures: providing reliable and credible information to potential migrants about the risks of irregular travel;

improving border management and enforcement along migrant routes and at the external EU border (starting in West Africa in the case of the central Mediterranean route); along migrant routes, establishing migrant support centers that provide information and assist with return and reintegration, if requested; and for those who manage to reach EU territory, ensuring a speedy decision on any asylum application and, if rejected, a quick return to the country of origin.⁴

Even if most asylum applications from certain countries are rejected, there are a non-negligible number of positive decisions (for countries of origin that are prominent on the central Mediterranean migrant route, see Figure 2.2). To avoid excluding those individuals from asylum in the EU (or obliging them to travel irregularly), it should be explored whether migrant support centers could also provide information and advice on humanitarian visas (once these are reintroduced by EU member states) and receive applications.

More effective management of the external EU border as well as national borders in the course of major migrant routes will have to be part of any strategy to curb irregular migration to the EU. This will require active support from a number of governments throughout Africa (Hatton 2016a, 24). Yet these political leaders will hardly become more popular with their voters if they are perceived as helping the EU to shut off irregular migration, which many of their voters value highly. So far, the EU’s New Migration Partnership Framework offers additional assistance in the areas of migration management and migrant return and reintegration, along with financial instruments.⁵ Even so, there are few positive incentives that might generate popular support.

In similar circumstances in eastern neighborhood countries, the prospect of visa liberalization with the EU has helped to promote significant, potentially unpopular reforms in border management and human rights (Ademmer 2017). While visa liberalization is not a short-term option for most African countries, enhanced opportunities for legal employment in EU member states could play an important role in sustaining cooperation. The economic impact in the destination countries should be limited because the economic effects of immigration into the labor market (rather than the welfare state) are usually small on aggregate, with manageable side effects on income distribution. EU member states, especially those with a favorable labor market situation, should therefore create more opportunities for labor migration from non-EU countries. Migration may be made conditional on a minimum education level, vocational and language skills, a job offer from the destination country, a waiting period before one can claim social benefits, etc. Furthermore, such opportunities could also be targeted at refugees in non-EU host countries.

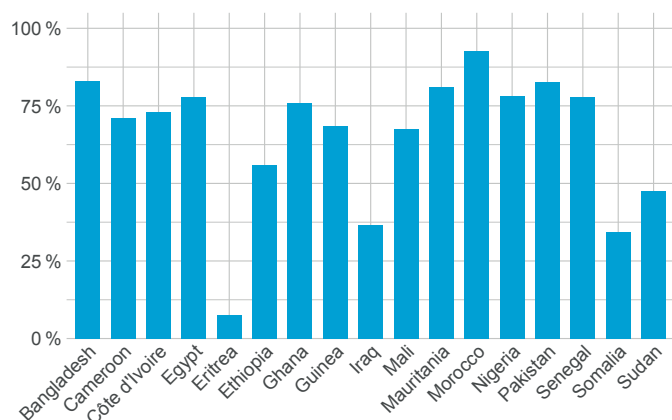
Does the EU seek to externalize a problem that is properly its own?

Third, proposals such as ours have been accused of ‘externalizing’ an EU problem (refugees would like to live in the EU) to neighborhood countries. By contrast, we have argued that refugees are the responsibility of

⁴ The EU Trust Fund for Africa and International Organization for Migration initiative for Protection and Reintegration of returnees along the Central Mediterranean migration routes (December 2016) include many of these elements (http://europa.eu/rapid/press-release_MEMO-16-4422_en.htm).

⁵ See European Commission, ‘Commission announces New Migration Partnership Framework: Reinforced cooperation with third countries to better manage migration.’ Press Release IP/16/2072, Strasbourg, June 7, 2016 (http://europa.eu/rapid/press-release_IP-16-2072_en.htm).

Figure 2.2 First-instance rejections of asylum applications by citizenship, EU-28, 2016
percent of applications; countries of origin prominent on the central Mediterranean migrant route



Source: Own elaboration based on data from UNHCR Global Trends 2015.

the international community, irrespective of where they live. We have also pointed out how the EU may live up to its international responsibility more fully by supporting host countries more effectively and resettling some vulnerable refugees. We have explained why this approach makes economic sense, too.

Therefore, we consider it wrong-headed to argue that refugees are somehow the EU's problem (merely because they would like to live in the EU) and that by supporting them in their host countries, the EU improperly externalizes its own problem. Rather, the protection of refugees who flee crises in non-EU countries and are hosted by other non-EU countries, in line with existing good practice in the global governance of refugee protection, is a global responsibility that (we argue) the EU and its member states should do more to live up to.

More reflection needed: Sharing fiscal and administrative burdens within the EU

More reflection is needed, first, on how the EU budget versus the member states should contribute to the cost of hosting refugees in non-EU countries and whether EU member states should be supported from the EU budget when they resettle refugees from third countries. Arguably, organizing this humanitarian and development assistance is a task that may usefully be undertaken by a single actor – the European Commission – on behalf of all 28 (in the future, 27) member states. If funding came from the EU budget, member states would contribute in line with their contributions to the budget, which amount to approximately 1 percent of their GDP. Article 80 TFEU also constitutes a legal basis for solidarity and responsibility sharing among EU member states in the

field of asylum policy, which is intricately linked with EU support for the protection of refugees outside the EU (Vanheule et al. 2011).

However, humanitarian spending by the EU is currently in the order of only €1 billion per year⁶ while funding shortfalls on the part of UN organizations alone amounted to US\$ 9 billion in 2015 (see above). The EU's multiannual financial framework is set several years in advance (it currently runs from 2014 through 2020) and any change, now or in the future, requires a consensus among EU member states. Therefore, additional funding from national budgets may be required to close funding gaps for humanitarian aid. Since many member states are already important humanitarian and development donors, it would be logical to combine additional funding from both the EU budget, to the extent possible, and member states.

EU member states should find it relatively easy, politically and capacity-wise, to offer more places for the resettlement of refugees in the EU or to accept some prima facie refugees through humanitarian visas. The number of asylum seekers entering the EU is now much smaller than in late 2015 and early 2016, which has freed up reception capacities. That said, it would not appear promising to attempt to set fixed quotas for refugees to be received by each member state. A similar quota scheme has already failed to be fully implemented for the secondary distribution of refugees within the EU from EU member states of first arrival (see section 2.3). A voluntary approach may be sufficient, given that the emphasis would be on sharing financial responsibility for the hosting of refugees with non-EU low- and middle-income countries.

⁶ Funding for European Civil Protection and Humanitarian Aid Operations (ECHO); see the European Commission website at http://ec.europa.eu/echo/funding-evaluations/funding-humanitarian-aid_en.

2.2 EU asylum and refugee policy

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The number of people who arrive in the EU to seek asylum depends on multiple, interdependent policy parameters: for example, *ceteris paribus*, the higher the humanitarian aid to refugees outside the EU and the lower the income support for asylum seekers within the EU, the less likely it is that displaced people will embark on the long, expensive, and dangerous journey to the EU.

Besides the necessity of supporting refugees in third countries (see section 2.1), there are both moral and economic reasons to support refugees within the EU through a well-functioning asylum system. At the same time, favorable conditions for refugees may act as a pull factor for asylum seekers: the more assistance – directly, through income support or indirectly, through integration measures – recognized refugees receive, the more attractive the EU becomes as a destination. If the EU were a homogenous territory with closely aligned popular preferences for how asylum should be provided, the system could be

designed to attract an acceptable number of refugees. Yet, refugee support systems are highly heterogeneous across EU member states, reflecting differences in capability and attitudes toward hosting refugees. The Schengen agreement exacerbates this problem: once asylum seekers enter EU territory, the lack of internal border controls makes it difficult to prevent asylum seekers from freely moving among member states.

Successive Dublin regulations, the first introduced in 1997, have guided member states' handling of refugees arriving at their borders. The basic principle is that the member states of first entry are responsible for registering and hosting the refugee, processing the asylum claim, integrating that person into society or ensuring his or her return to the country of origin (depending on the outcome of the asylum application). For most asylum seekers entering EU territory, this means external border countries are responsible for them *de jure*. However, a clear misalignment of incentives between these external border

Table 2.1 Main irregular migrant routes to the EU

Route	2008-2010 (total)	2011-2013 (total)	2014	2015	2016
Central Mediterranean Destination: Italy, Malta Origin: Eritrea, Guinea, Nigeria, Somalia	55,300	120,200	170,760	153,946	181,126
Eastern Mediterranean Destination: Greece Origin: Afghanistan, Iran, Iraq, Somalia, Syria	148,000	119,000	50,830	885,386	182,534
Western Mediterranean Destination: Spain Origin: sub-Saharan and West Africa	18,150	21,650	7,840	7,164	10,231
Western Balkan Destination: Hungary (Germany, Austria...) Origin: Albania, Kosovo, plus arrivals from the eastern Mediterranean route	5,460	30,990	43,360	764,038	122,779

Sources: Own elaboration based on Frontex data.

countries, asylum seekers themselves, the EU, and other member states has de facto led to a disregard of the Dublin regulations. Once asylum seekers have entered the EU, external border countries have a strong cost incentive to let them pass through their territory into other member states; in addition, asylum seekers often prefer to lodge their asylum application in the supposedly more favorable Western European countries. As they are aware of this nexus a priori, EU member states located on the EU external border could have an incentive to allocate fewer resources to managing the external border than member states together would desire.

The key question therefore becomes how the tasks related to the asylum regime should be allocated among EU member states, and between member states and EU authorities, in order to achieve a desirable level of cooperation. We argue that this implies the alignment of incentives in several areas to avoid costly negative spillovers across member states. In the long run, there is a strong case for a substantial expansion of the responsibilities of EU institutions in external border management while incentivizing member states on the external border to comply with their obligations to register and host refugees.

In this section, we discuss the allocation of decision-making, implementation, and funding related to asylum policies within the EU. We seek to identify the conflicting incentives associated with the asymmetric responsibility sharing between the EU and its member states as well as among the EU member states. In section 2.3 below we refer to these shortcomings as we evaluate the recent proposals for reforming the EU asylum system.

Task allocation in asylum-related policies within the EU

The Treaty of Maastricht that entered into force in 1993 granted the EU institutions modest competences in the field of asylum and migration. These were later extended in the Treaty of Amsterdam of 1999 and the Lisbon Treaty of 2009. At the Tampere European Council of 1999, an ambition toward a Common European Asylum Sys-

tem (CEAS), which ought to have increased cooperation among the EU member states, was first announced (Kaunert and Leonard 2012). Yet, in 2015, asylum policies remained effectively decentralized, with the individual member states responsible for the core decisions, implementation, and most of the funding. The role of the EU was limited to i) assigning responsibilities for registering and hosting asylum seekers who arrived in the EU, ii) setting minimum standards for asylum policies and harmonizing national asylum legislation, iii) assisting member states during the implementation of policies, and iv) ensuring some degree of financial burden sharing through joint EU funds. Importantly, the EU institutions lacked an effective mechanism to enforce the implementation of EU rules and decisions and had to rely on voluntary compliance by the member states.

Protecting external borders

Over the past years, high irregular immigration flows have put pressure on the EU's external borders. Most asylum seekers entered the EU irregularly by following one of the major migrant routes: the central Mediterranean (from North Africa to Italy), the eastern Mediterranean (from Turkey to Greece), the western Mediterranean (from Morocco to Spain), and since 2012, the Western Balkans. Thus, even prior to 2015, the EU countries at the 'exit' of these routes – Italy, Greece, Hungary, and to a lesser degree, Spain – had been under considerable pressure from irregular immigration (Table 2.1).

The Dublin system places the main responsibility for EU external border security on these frontier states in terms of border surveillance, smuggler detection, and search and rescue operations. To curb migrant flows, EU member states on the external border implemented several bilateral agreements with their counterparts at the 'exit' points of migrant routes, such as Spain's ongoing cooperation with Morocco, Senegal, and Mauritania as well as Italy's agreement with Libya.

The EU's role in border management has mainly been to provide financial support to member states on the external border. For example, since the surge in irregular immigration in 2015, Greece has received €1 billion from EU funds, Italy has received €655 million, and Bulgaria €269 million (Bučar et al. 2017).⁷ Figure 2.4 below suggests that Greece in particular received large funds in comparison with its own expenditures; Italy, on the other hand, projects spending of €3 billion on the migration situation in 2017 alone.⁸ EU support, if not increased substantially, will only cover a fraction of these expenditures.

EU member states further receive technical expertise from Frontex, which was set up in 2005 to improve the coordination of European border management. Its mission comprises monitoring the EU external borders, coordinating joint operations to prevent illegal entries, and responding to emergencies, as well as assisting individual member states in border management. Yet, relative to the scope of national operations and resources, the direct involvement of Frontex has remained low. In

⁷ These numbers, while coming from official references, are not without controversy. For example, Refugees Deeply has calculated the actual EU support to Greece at €803 million. See D. Howden and A. Fotiadis. "Where did the money go? How Greece fumbled the refugee crisis," *The Guardian*, March 9, 2017, <https://www.theguardian.com/world/2017/mar/09/how-greece-fumbled-refugee-crisis> (accessed May 3, 2017).

⁸ J. Politi, "Italy's Renzi unveils spending plans in 2017 budget," *Financial Times*, October 16, 2016, <https://www.ft.com/content/473a99b0-9336-11e6-a80e-bcd69f323a8b> (accessed 3 May 2017).

January 2015, the agency deployed a permanent staff of 309, while its total funding for 2008–14 constituted €575 million. In response to calls for a stronger EU role in external border management, Frontex was transformed in October 2016 into the European Border and Coast Guard, with a rapid reserve pool of 1,500 border guards and more technical equipment provided to external border countries. The sea border-security operations Triton and Poseidon launched in 2014 have also been expanded recently.

Thus, the EU has become much more involved in external border management over the past few years, both on the ground and financially. While the EU does not cover refugee-related expenditures to the same extent in all affected member states, it helps overstretched member states on the external border to abide by the common rules. Within the grander vision of a functioning Common European Asylum System (CEAS), these changes constitute a necessary shift of responsibilities toward the center to align incentives and address externalities among member states.

Hosting refugees within the EU: De jure

The Dublin Convention of 1997, followed by its amendments Dublin II (2003) and Dublin III (2013), assigns responsibility for registering and hosting refugees who arrive in the EU. Originally, the main aim of this regulation was to prevent asylum shopping. This practice of applying for asylum in several EU countries or applying in the country of choice after transiting other EU member states was made possi-

ble by the abolition of border controls within the Schengen area. To prevent asylum shopping and avoid a race to the bottom among member states in terms of their asylum-related efforts, the Dublin system established detailed rules and implementation mechanisms to determine the country that would be responsible for a particular asylum seeker.

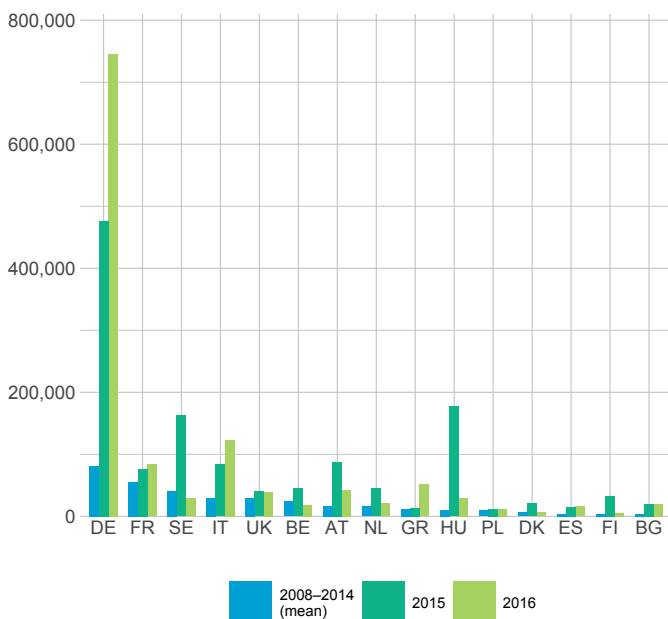
Fundamentally, the Dublin regulations place the responsibility for registering and processing asylum claims as well as for hosting refugees on the country of first entry into the EU, with a few exceptions for family reasons or other personal ties on a case-by-case basis. In practice, the regulation is enforced through the readmission mechanism: if an individual applies for asylum in a member state that is not responsible for him or her, that member state may return the asylum seeker to the member state of first entry. Technically, this process depends on all immigrants being fingerprinted upon entering the EU and their data being entered into EURODAC, the integrated fingerprint database.

Thus, together with the responsibility for securing the external borders, the main burden related to registering asylum seekers and hosting refugees falls on the EU member states on the external border. Other EU member states are expected to participate financially by contributing to joint EU funds. Recently, an internal EU relocation of asylum seekers from Greece and Italy was launched but this emergency scheme remains bedeviled by efficiency and compliance issues.⁹ Further proposals to redistribute asylum seekers across the EU have found no consensus among member states yet.¹⁰ Therefore, financial burden sharing is the main channel of asylum-related support among member states.

⁹ European Commission, "Relocation and Resettlement – State of Play," DG Migration and Home Affairs, Brussels, February 8, 2017, https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/20170208_factsheet_on_relocation_and_resettlement_en.pdf (accessed 3 May 2017).

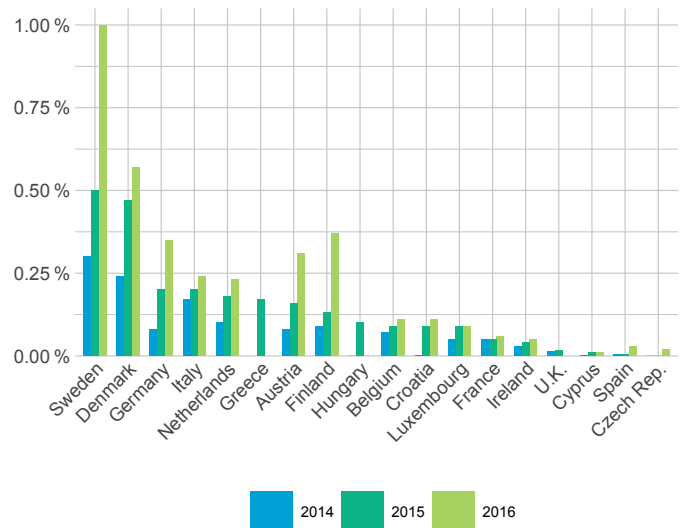
¹⁰ We discuss these further in section 2.3.

Figure 2.3 Asylum applications in the selected EU countries, 2008–16



Source: Own elaboration based on Eurostat data.
 Note: Other EU member states accepted fewer than 3,000 asylum applications per year.

Figure 2.4 Estimated short-term fiscal costs of caring for asylum seekers as a percentage of GDP



Source: Own elaboration based on Aiyar et al. 2016 (p. 12).

The EU itself manages some aspects of the financial burden sharing while providing technical assistance to the member states and verifying that the minimum standards of refugee protection are met. To facilitate cooperation among member states, to assist them in protecting refugees, and to provide technical support to the Commission, the European Asylum Support Office (EASO) was established in 2011 with an annual budget of €10 million for the 2012–15 period. Since May 2016, the role of EASO has been strengthened to support both the implementation and the functionality of the CEAS (Bučar et al. 2017).

Hosting refugees within the EU: De facto

According to the Dublin rules, most of the burden of dealing with illegal entry into the EU and subsequent asylum applications falls onto the member states on the external border. However, this uneven distribution of responsibility may overburden the member states of first entry to the extent that they can neither ensure effective asylum procedures nor basic living standards for the refugees. Beyond these immediate challenges, granting recognized refugees access to education and employment may be a challenge. Given poor conditions in the countries of first entry to the EU, asylum seekers themselves have every reason to try to apply for asylum elsewhere and refuse cooperation with the member state authorities that try to implement the existing rules. The above may explain why data on first-time asylum applications show a starkly different geographical distribution from expectations under the current legislation: although the external border countries Italy, Hungary, and Greece did receive a substantial number of asylum applications (particularly when measured against the size of their economies), Germany, France, Sweden, the UK, Belgium, and the Netherlands registered the majority of first-time asylum applications even between 2008 and 2014 on average (Figure 2.3).

The collapse of the Dublin system arguably further increased the attractiveness of embarking on a journey to the EU from various parts of the world. The existing weaknesses in the system may have motivated more asylum seekers to set off for Northern and Central European countries, while a functioning Dublin system would have kept them in the member states of first entry and possibly made the whole journey unattractive.

Once asylum seekers move on from their countries of first entry without being properly registered in EURODAC, the most attractive destination countries within the EU become de facto responsible for them. In 2015, this often occurred voluntarily when some EU member states applied the Dublin sovereignty clause to assume responsibility for large numbers of refugees and take pressure off the countries of first arrival. Still, even when asylum seekers are registered upon entry to the EU and then continue to other member states, transfers under the Dublin Regulation cannot always be enforced. In 2011, the European Court of Human Rights ruled in the case of *M.S.S. v. Belgium and Greece* that the implementation of the transfer violated several articles of the European Convention on Human Rights due to the poor living conditions of asylum

seekers in Greece, the risk of detention, and deficiencies in the Greek asylum procedure.¹¹ Thereafter, EU member states practically stopped returning asylum seekers to Greece. De facto, the tasks of registering and processing asylum claims as well as hosting refugees were thus performed by countries of the first-time asylum application in line with national legislation.

The short-term fiscal cost incurred by the individual member states from caring for asylum seekers as estimated by Aiyar et al. (2016) is shown in Figure 2.4 above. The distribution of costs among EU member states was uneven already in 2014 and shows the same pattern as the number of lodged asylum applications (see Figure 2.3 above).¹²

Aligning incentives – What should be done?

The analysis above reveals that the large influx of asylum seekers in 2015 and 2016 into the EU did not ‘break’ a Dublin system that had previously worked well; rather, it brought existing inconsistencies to the surface. A system that allows countries at the external border to ‘wave through’ asylum seekers to other member states due to the lack of internal borders and in the absence of an effective enforcement of the Dublin regulations is clearly suboptimal. Incentives to invest in border controls, to register arriving asylum seekers properly, and to ensure acceptable reception conditions are misaligned and incompatible with an effective asylum system at the EU level.

Member states on the external border therefore must be incentivized to comply with existing agreements, especially in meeting their responsibility to register asylum seekers. Increased EU personnel on the ground is necessary to ensure efficiency and compliance by monitoring asylum procedures and ensuring humane reception conditions. By strengthening Frontex and EASO, the EU is currently moving in this direction but will have to increase its efforts further. The compliance of national authorities could further be reinforced by the credible threat of adjacent member states closing their borders. The examples of Macedonia shutting its border with Greece and Austria’s measures at its border with Italy show that closing popular migration routes unilaterally can exert pressure on external border countries to meet their obligations, or at least limit negative spillovers, even within the Schengen area.

In exchange, the EU should provide substantial logistical and financial help to those member states on the external border that are most heavily affected by irregular immigration. Here, solidarity among EU member states is of utmost importance to make the system sustainable. Alternative approaches to reducing the pressure on member states of first arrival, such as a scheme to relocate asylum seekers from countries of first arrival to other member states, have not found a consensus among member states so far. To make such a scheme feasible and operational, participation in the relocation of recognized refugees or asylum seekers who passed an initial admissibility check in the member state of first entry could be left to a ‘coalition of the willing’ until a permanent relocation scheme is implemented. We discuss this idea further in section 2.3.

¹¹ See, in the European Database of Asylum Law, ECtHR – *M.S.S. v. Belgium and Greece* [GC], Application No. 30696/09, January 21, 2011, <http://www.asylumlawdatabase.eu/en/content/ecthr-mss-v-belgium-and-greece-gc-application-no-3069609> (accessed May 3, 2017).

¹² The estimations are from January 2016. In some countries, such as Germany, annual expenditures in 2016 exceeded earlier estimations from Figure 2.4 and amounted to €21.7 billion or 0.7 percent of GDP, see Bundesministerium der Finanzen, *Analysen und Berichte - Asyl- und Flüchtlingspolitik aus Sicht des Bundeshaushalts*, January 2017, <http://www.bundesfinanzministerium.de/Monatsberichte/2017/01/Inhalte/Kapitel-3-Analysen/3-1-Asyl-Fluechtlingspolitik-aus-Sicht-des-Bundeshaushalts.html> (accessed May 3, 2017). The figure should therefore be interpreted as an illustration of the uneven cost distribution among member states.

A clear distribution of tasks would also benefit asylum seekers. If all countries are incentivized to assume their assigned responsibilities, neither the member states on the external border nor the most economically attractive destinations in the EU would have an incentive to race to the bottom in reception conditions.

While there is a clear need for the EU to put its own house in order, the unprecedented inflows of late 2015 and early 2016 have revealed that, in exceptional situations, the member states on the external border may have to care for very large numbers of asylum seekers under the current regime. Even if all parties fully discharge their duties, these member states may become overburdened. This issue clearly requires a long-term solution. Humanitar-

ian assistance to refugees outside the EU (see section 2.1) combined with third country agreements to curb irregular migration provide a viable solution for both humanitarian and economic reasons. At the same time, more participation by EU member states in international resettlement schemes – or other types of active resettlement from third countries to the EU – could offer protection to the most vulnerable refugees.

In section 2.3 below we turn to some of the nuances of the EU's response to the refugee crisis. We identify additional problems arising from i) the timing of implementing new policies in the different areas and ii) the political feasibility of all policies related to relocation to the EU from third countries.

2.3 Building blocks for reforming the EU asylum and migration regime: Closing the back door while opening the front door

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In section 2.2 we have identified missing elements of a sustainable EU asylum system: i) more responsibility for external border management – rules and implementation – at the EU level; ii) a larger EU budget to compensate external border countries for processing and hosting asylum seekers; iii) a 'coalition of the willing' approach to an intra-EU refugee relocation scheme; iv) financial support for third countries to curb irregular migration at its source and enable more efficient readmission; and v) resettling the most vulnerable refugees coming from third countries to the EU.

Although far fewer asylum seekers arrived in Europe in 2016 than in 2015, the situation remains fragile. In response, the European Commission has tabled several proposals. Long-term efforts have focused on four key areas of asylum policies: i) strengthening external border management; ii) an allocation mechanism to distribute asylum seekers across EU member states; iii) migration partnerships with third countries to prevent irregular flows; and iv) the introduction of pathways into the EU through resettlement. Thus, in general, we believe that EU authorities are gradually moving toward our suggested approach of opening the front door while closing the back door.

However, proposals that focus on deterrence (closing the 'back door') have progressed faster than those that assume responsibility for refugees outside the EU (and share this responsibility equitably across EU member states) and open up legal pathways for labor migration to the EU (opening the 'front door'). We therefore urge European

decision makers not to succumb to an 'out of sight, out of mind' approach. The remainder of this section assesses the (proposed) EU actions in the light of our advocated approach of closing the back door while opening the front door and the shortcomings identified in section 2.2.

Closing the back door...

The way toward more EU involvement in external border management

Of all the policy options to improve the Common European Asylum System (CEAS), strengthening the EU's external borders has found the most support among EU member states. Progress has been made in two areas in particular. First, the European Border and Coast Guard (EBCG) was launched in October 2016 to establish an operational strategy for border management and coordinate EU assistance for member states.¹³ In essence, the extended EBCG sets an operational and technical strategy that will then have to be implemented by the member states. Member states on the external border are legally obliged to cooperate, particularly in emergencies. The permanent staff of the EBCG will be increased to 1,000 by 2020 from 402 at the beginning of 2016, the budget has been more than doubled (from €143.3 million in 2015 to €322 million in 2020), and the agency can draw on a rapid-reaction pool of 1,500 European border guards if needed. Yet, non-compliance, i.e. the refusal to deploy EBCG staff or abide by its strategy, will have few consequences for member states. The only lever the agency possesses is to urge adjacent

¹³ Council of the European Union, "European Border and Coast Guard: Final approval," September 14, 2016, <http://www.consilium.europa.eu/en/press/press-releases/2016/09/14-european-border-coast-guard/> (accessed May 3, 2017).

member states to close their internal borders and thereby potentially exacerbate an emergency in the country.¹⁴

Another fundamental issue is the linkage between search and rescue (SAR) operations carried out by the agency and the responsibility of the EU member state of first arrival for the asylum process of those rescued. Cooperation between the EBCG and member states is not fully incentive-compatible because the latter are expected to bear the additional financial and administrative burdens of receiving even more asylum seekers.

Carrera et al. (2017) propose to resolve this problem by making all asylum seekers rescued through SAR a joint EU responsibility and redistributing them according to the Commission's redistribution key suggested in its 2016 proposal to recast the Dublin system.¹⁵ While this is a preferred, equitable, first-best solution, there is currently fierce political resistance against any mandatory redistribution scheme by some member states. Hence, whether the proposal and the proposed recast of the Dublin system can be adopted any time soon, or at all, is currently uncertain.

In addition, the new EBCG needs to address a difficult trade-off: on the one hand, it saves lives in the Mediterranean; on the other hand, more extensive SAR operations could create an incentive for people smugglers to put more irregular migrants (many, if not most of whom will not qualify for asylum) on unseaworthy boats, leading to more people embarking on the dangerous trip across the Mediterranean. SAR operations close to the Libyan shore could therefore create undesirable incentives on the part of smugglers and migrants; however, the existence of such a 'pull' factor is disputed (Carrera et al. 2017). We argue below that, in light of the current situation in Libya, EU authorities should aim at preventing irregular migration before it reaches Libyan territory.

With the above in mind, one possible solution to curb irregular migration flows from (and eventually, to) Libya may involve reception centers in the EU region of arrival where asylum seekers remain until their status has been decided and they are either obliged to return to their home countries (probably the majority of immigrants on the central Mediterranean route – see section 2.1, Figure 2.2) or they are allowed to settle in the country of arrival (or elsewhere in the EU, based on (voluntary) redistribution – see section 2.2). EU institutions – mainly the European Asylum Support Office, Frontex, and Europol – are already assisting Greece and Italy in such reception centers, the so-called hotspots. This approach may need scaling up.

Second, the EU is moving toward more rigorous checks at the Schengen area's external borders through the introduction of new technology.¹⁶ On March 2, 2017, the Council agreed to start negotiations with the Parliament on a Commission proposal for a new entry-exit system.¹⁷ While these may improve the functionality of the CEAS, they will not decrease pressure from immigration significantly.

Cooperation with third countries

On March 18, 2016, the EU and Turkey agreed on a controversial deal to curb irregular migration to Greece.¹⁸ Starting on March 20, 2016, it stipulates that every irregular

migrant arriving in Greece from Turkey via the Mediterranean is to be returned to Turkey. For every Syrian returned, a one-for-one mechanism selects a Syrian citizen, based on UN vulnerability criteria, from the refugee camps in Turkey for resettlement in the EU. As of March 2017, 3,565 Syrians had been resettled from Turkey under the one-for-one scheme.¹⁹

In the broader picture, this deal helped to regain control over irregular immigration into the EU. However, for it not to violate the 1951 refugee convention and its 1967 protocol critically hinges on the status of Turkey as a safe country, in particular related to the issue of non-refoulement. The Commission's view that domestic legislation in Turkey guarantees safety and fundamental rights is disputed.²⁰ Furthermore, the recent ruling of the Court of Justice of the European Union indicates that the EU-Turkey deal has weaknesses when it comes to political accountability and judicial oversight (Carrera et al. 2017). Future agreements with third countries will therefore have to be embedded in a democratically legitimized and clearly defined humanitarian and judicial framework.

While the EU-Turkey statement in its current form is therefore not an ideal template for future EU action, preventing irregular migration into the EU at its source and ensuring readmission of migrants not eligible for asylum should be the way ahead for both humanitarian and political reasons. The Migration Partnership Framework with third countries from June 9, 2016 is a step in this direction and lays out the future approach formally.²¹ Within so-called country-specific 'compacts,' EU authorities initially target Jordan, Lebanon, Niger, Nigeria, Mali, Senegal, and Ethiopia in order to curb irregular migration to the EU. The compacts' short-term objectives are to both assure an effective readmission procedure and stop migrants in source and transit countries from embarking on the dangerous trip to the EU. The new Cooperation Agreement on Partnership and Development with Afghanistan, while still at the fledgling stage, may further ease migratory pressure from one of the main source countries in the long term.²²

As these compacts inevitably increase the burden of handling readmission procedures and improved border management for developing countries, the EU has increased the budget of the European Development Fund by €0.5 billion for their support. The funds can be channeled into tailor-made development projects in the partner countries to tackle the root causes of irregular migration and thus create an incentive for partner countries to comply in particular with the readmission agreements. In addition, there is an EU external investment plan financed by €3.35 billion from EU funds through 2020 (with the European Fund for Sustainable Development as the main funding device) that aims to raise further funds from member states. This program may generate additional private sector investment and could further foster economic opportunities in the partner countries.²³

Apart from the Eastern Mediterranean migrant route from Turkey to Greece, the second major route is the one across the central Mediterranean with Libya as the main point of departure (see section 2.2). The Malta Declaration of the European Council on the external aspects of migration addressed this migratory route and includes Libya in the list of partners (February 2, 2017).²⁴ EU

¹⁴ See Carrera et al. (2017) for a detailed critical assessment of the European Border and Coast Guard.

¹⁵ European Commission, Proposal for a Regulation of the European Parliament and of the Council establishing the criteria and mechanisms for determining the Member State responsible for examining an application for international protection lodged in one of the Member States by a third-country national or a stateless person recast, Brussels, May 4, 2016, <https://ec.europa.eu/transparency/regdoc/rep/1/2016/EN/1-2016-270-EN-F1-1.PDF> (accessed May 3, 2017).

¹⁶ Council of the European Union, "Strengthening the EU's external borders," <http://www.consilium.europa.eu/en/policies/migratory-pressures/strengthening-external-borders/> (accessed May 3, 2017).

¹⁷ Council of the European Union, "Entry-exit system: Council agrees on its negotiating mandate," March 2, 2017, <http://www.consilium.europa.eu/en/press/press-releases/2017/03/02-entry-exit-system/> (accessed May 3, 2017).

¹⁸ European Council, "EU-Turkey statement," March 18, 2016, http://www.consilium.europa.eu/press-releases-pdf/2016/3/40802210113_en.pdf (accessed May 3, 2017).

¹⁹ European Commission, Tenth report on relocation and resettlement, Report from the Commission to the European Parliament, the European Council and the Council, COM(2017) 202 final, Brussels, March 2, 2017, https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/20170302_tenth_report_on_relocation_and_resettlement_en.pdf (accessed May 4, 2017).

authorities will train the Libyan national coast guard to combat smuggling networks, run information campaigns geared toward irregular migrants, and help the Libyan authorities with capacity building at their external borders. EU authorities also endorsed the bilateral Memorandum of Understanding between Italy and the UN-backed Libyan government, which contains similar objectives.²⁵

In Libya, the situation remains characterized by political instability and severe human rights violations against migrants and segments of the local population.²⁶ It therefore remains to be seen if the envisaged EU and Italian measures can be implemented effectively in Libya. Given the situation there, the priority of EU-conducted measures should clearly be on preventing migration flows into Libya from other African source and transit countries.

In conclusion, the new readmission agreements with African countries and, importantly, potentially with Afghanistan, may lead to a faster repatriation of rejected asylum seekers and may also discourage potential emigrants from embarking on the journey to Europe. At the same time, the increased financial development assistance may further reduce emigration, even if its direct effectiveness on the root causes is heavily contested and the impact on irregular migration may solely stem from the lever EU authorities gain over the governments of third countries.²⁷ Overall, deterrent EU policies to curb irregular migration at their source have made progress over the past two years.

... while putting the EU's house in order ...

Alleviating migratory pressure in the member states on the external border

The solution most often advocated to ensure an equitable sharing of responsibility for humanitarian migrants in the EU is to relocate refugees across member states and thereby ease the strain that the current regime puts on member states on the external border. A relocation mechanism would be fair to refugees: despite the undeniable differences in labor market opportunities and welfare generosity across the EU, even the least developed European countries offer protection from persecution and a higher standard of living to refugees on average than in the most common source countries (Carrera and Gros 2015). Refugees would be discouraged from simply moving on to more attractive destinations because they would lose social assistance and the right to legal employment. If the threat of these penalties turns out to be insufficient to prevent intra-EU refugee flows, additional sanctions – up to the withdrawal of the refugee status or the outright rejection of an ongoing asylum request – would have to be considered.

The physical relocation of refugees is without a doubt a potentially useful tool to correct for the burden put on member states on the external border by the Dublin Regulation. In theory, an external border managed by EU authorities in combination with a functioning, centrally managed scheme for relocation would allow for a welfare-maximizing, first-best solution to offering protection to humanitarian migrants. It could account for member states' preferences while correcting for the public good characteristics of the protection of refugees in the EU (see

section 2.1 and Hatton 2015). The price of opting out could potentially be determined on a market through tradable refugee-admission quotas, following an initial quota assignment to member states by EU authorities (Fernández-Huertas Moraga and Rapoport 2014). A matching mechanism whereby member states list their preferences for refugees and refugees list their preferences for member states could enhance efficiency and incentivize participation in the relocation scheme.

In response to the high migratory pressure on Greece, Italy, and other member states, European home affairs ministers decided to relocate a total of 160,000 refugees across the EU.²⁸ Financed by €1 billion from the EU budget (around €6,000 per relocated refugee – which is less than the estimated annual cost of a refugee in most EU member states), the distribution among countries follows a sensible key: i) 40 percent is based on the size of the population, ii) 40 percent on the member state's GDP, iii) 10 percent on the average number of past asylum applications to the member state and iv) 10 percent on the member state's current unemployment rate.²⁹ Only asylum seekers whose nationalities have an average EU-wide asylum recognition rate equal to or higher than 75 percent are eligible for relocation.

This list is updated quarterly based on Eurostat numbers and, as of April 1, 2017, does not include Afghanistan, Nigeria, or Somalia, three main source countries of asylum seekers arriving in Italy and Greece.³⁰

The relocation mechanism relies on a hotspot approach. Hotspots are external border areas exposed to a high existing or potential number of arriving migrants (see Neville et al. 2016). Upon request by a member state, EU agencies provide support related mainly to i) the registration and screening of immigrants (Frontex), ii) the asylum process and relocation of immigrants identified as in need of international protection (EASO), and iii) voluntary or forced return (Frontex). The current hotspot approach leaves member states responsible for reception facilities. We argue below that this approach is a step in the right direction but is incomplete in its current form for humanitarian and practical reasons.

The relocation mechanism was decided by the Council through a qualified majority, a situation considered unusual in matters of asylum and immigration policy. The Czech Republic, Slovakia, Romania, and Hungary voted against it, while Finland abstained.³¹ On October 25, 2015, only a few months after the scheme had been launched, a change of government in Poland made that country reluctant to take in its allocated share. It is therefore not surprising that compliance and operational issues have severely impeded the relocation scheme. In addition to the unwillingness to cooperate in various Central and Eastern European countries, a number of additional issues have cropped up. Hotspots not being fully functional in Greece and Italy, insufficient means for transfers, member states not providing the necessary reception facilities, and a lack of enthusiasm on the part of refugees to participate in the scheme (“Why risk being stuck in Romania if your feet can take you to Germany?”) are the main difficulties that still slow down relocation (Maiani 2016). As of April 21, 2017, only 16,998 people had been resettled from Italy and Greece.³²

²⁰ European Commission, Letter from the European Commission to Greek Secretary-General for Population and Social Cohesion Mr. Vasilios Papadopoulos, Brussels, May 5, 2016, <http://statewatch.org/news/2016/may/eu-com-greece-turkey-asylum-letter-5-5-16.pdf> (accessed May 4, 2017).

²¹ European Commission, “Commission announces New Migration Partnership Framework: Reinforced cooperation with third countries to better manage migration,” Strasbourg, June 7, 2016, http://europa.eu/rapid/press-release_IP-16-2072_en.htm (accessed May 4, 2017).

²² European External Action Service, “European Union and Afghanistan sign Cooperation Agreement on Partnership and Development,” Munich, February 18, 2017, https://eeas.europa.eu/headquarters/headquarters-homepage/20834/european-union-and-afghanistan-sign-cooperation-agreement-partnership-and-development_en (accessed May 4, 2017).

²³ European Commission, “State of the Union 2016: European External Investment Plan: Questions and Answers,” Strasbourg, http://europa.eu/rapid/press-release_MEMO-16-3006_en.htm (accessed May 4, 2017); we discuss the effect of development aid on migration further in section 4.2 of this report.

²⁴ European Council, Malta Declaration by the members of the European Council on the external aspects of migration: Addressing the Central Mediterranean route, February 3, 2017, <http://www.consilium.europa.eu/en/press/press-releases/2017/02/03-malta-declaration/> (accessed May 4, 2017).

²⁵ Government of Italy, Memorandum d'intesa sulla cooperazione nel campo dello sviluppo, del contrasto all'immigrazione illegale, al traffico di esseri umani, al contrabbando e sul rafforzamento della sicurezza delle frontiere tra lo Stato della Libia e la Repubblica Italiana, February 2, 2017, <http://www.statewatch.org/news/2017/feb/it-libya-memo-immigration-border-security-2-2-17.pdf> (accessed May 4, 2017).

²⁶ UN Security Council, "February 2017 Monthly Forecast," Security Council Report, New York, NY, January 31, 2017, http://www.securitycouncilreport.org/monthly-forecast/2017-02/libya_29.php (accessed May 4, 2017).

²⁷ See section 4.2 of this report.

²⁸ The total of 160,000 is a result of two separate decisions from July 22, 2015 (40,000) and from September 22, 2015 (a further 120,000).

²⁹ European Commission, "Refugee Crisis: European Commission takes decisive action – Questions and answers," Strasbourg, September 9, 2015, http://europa.eu/rapid/press-release_MEMO-15-5597_en.htm (accessed May 4, 2017). We will abstain from a detailed discussion on the calculation of the relocation key here but note that, if the probability of successful integration of resettled refugees into the labour market is an objective, the labour market conditions should feature more prominently (see Barslund et al. 2016).

³⁰ Frontex – European Border and Coast Guard Agency, Migratory Routes Map, <http://frontex.europa.eu/trends-and-routes/migratory-routes-map/> (accessed May 4, 2017).

³¹ N. Nielsen and E. Zalan, "EU forces 'voluntary' migrant relocation on eastern states," EU Observer, September 22, 2015, <https://euobserver.com/migration/130374> (accessed May 4, 2017).

Despite this slow pace of implementation, the Commission aims to introduce a new permanent fairness mechanism within its proposed reform of the Dublin system of May 4, 2016.³³ In the proposal, relocation is triggered if asylum applications to an EU member state exceed 150 percent of the number assigned to the country under a reference key based on population and wealth. The proposed EU burden-sharing scheme includes a temporary opt-out option – a "solidarity contribution" of €250,000 that can be paid by member states for each applicant rejected who had been assigned to it by the burden-sharing quota. Although the calculations on which the amount is based are not transparent – preferably, it would be based on actual costs in an accountable manner – the proposal begins to address the lack of enforcement in the existing redistribution scheme for refugees.

Two other elements are important in this proposal: First, asylum applications still have to be lodged in the country of first irregular entry and the responsible country has to carry out an admissibility check prior to relocation. The admissibility check is necessary to minimize adverse incentives on the part of asylum seekers by deterring migrants with purely economic motives who must still expect to be rejected at the border. The concern remains that in conducting the admissibility check, the EU member states of first entry continue to have an incentive to formally admit and send on inadmissible asylum seekers to avoid repatriation costs. The issue can only be overcome by a more rigorous, albeit time-consuming, administrative procedure in which the receiving country confirms the admissibility check and only then accepts the allocated asylum seeker to start the full asylum procedure. Ideally, an EU-financed and assembled body is put in charge of controlling admissibility, beyond the current hotspot approach. Such a body could form part of a European border and asylum service as suggested by Carrera et al. (2017). It could further improve the current poor living conditions of asylum seekers in reception centers in hotspot areas (Guild et al. 2017).

Second, the suggested burden-sharing scheme explicitly accounts for asylum seekers resettled from third countries. This means a member state could decide to resettle refugees from third countries in sufficient numbers (i.e. 100 percent of their assigned quota under the reference key) and thereby avoid both participating in the EU fairness mechanism and paying the solidarity contribution.

However, it is uncertain whether the proposal in its current form will be adopted. Several member states appear unwilling to assume their assigned responsibilities. The Visegrad countries in particular oppose any mandatory quota system.³⁴ Despite other member states urging them to propose an alternative relocation mechanism, they reiterated their reluctance to commit to any mandatory quota in January 2017 and have not yet tabled a concrete suggestion.³⁵

Thus, for political reasons, the mechanism remains a theoretical solution at this stage. Formally bringing together a coalition of the willing, which is implicitly allowed for in the Dublin III Regulation through the sovereignty clause, is a feasible way toward a sustainable EU refugee relocation scheme when political feasibility is accepted as a constraint.³⁶ Such a voluntary mechanism

could then either explicitly take the preferences of member states and refugees into account or would have to find a way to legally oblige refugees to participate in relocation.

A coalition of the willing is clearly only a second-best solution to a public good problem. Still, since proposals for intra-EU relocation mechanisms are likely to peter out in the current political environment and the approach would leave the door open to a permanent solution involving all EU member states, it is currently the best option available. As suggested below, an higher EU funding could support those member states that take on responsibility for refugees in a 'money follows the refugee' approach.

Financial burden sharing

Under the current (Dublin) asylum regime as well as any conceivable, future regime, EU member states on the external border bear a disproportionate share of the financial cost and administrative effort. They are responsible for hosting irregular migrants, conducting asylum procedures, repatriating those whose asylum application is rejected, and integrating recognized refugees into their economies and societies. As we have argued with respect to the global governance of refugee protection (section 2.1) and in the absence of a functioning relocation scheme, there is a strong case for financial burden sharing within the EU.

In the long term, it would be desirable for the EU to take over external border management and related costs – including those related to asylum policy – and provide for these costs in the multi-annual budget framework. Until then, member states on the external border ought to be compensated for the verifiable costs of the asylum process up until the final decision on whether asylum will be granted, including repatriation if applicable. For the compensation of costs associated with economic and social integration, these would have to be estimated for all external border countries respectively on a PPP basis.

The current financial burden sharing between EU member states through official EU support is far from a full compensation scheme. A total of €3.9 billion was allocated from the EU budget to member states in 2015 and 2016 in response to the crisis situation.³⁷ Yet recent estimates from the OECD (2017) put the unweighted average cost of processing asylum applications and caring for asylum seekers at €10,000 per asylum seeker for the first year in the main recipient countries. This estimate does not include integration measures during the asylum phase. With 2.46 million first-time asylum applicants in the EU-28 in 2015 and 2016,³⁸ this simple estimate puts the total short-term costs at €24.6 billion.³⁹

While some member states like Greece have received a larger share from the asylum-related EU budget than others, this simple calculation shows that EU funds dedicated to asylum-related tasks within the EU need to be vastly increased. Not only would fuller compensation incentivize the member states on the external border to comply with their duties (a 'money follows the refugee' approach would further encourage member states to participate in an EU relocation mechanism). It would also compensate those member states that have borne the brunt of the recent inflows. To make it equitable, financing could come either directly from EU

funds (which would have to be increased accordingly) or from an additional fund to which member states contribute according to their ability to pay (typically, based on their GDP).

... and opening the front door

Granting legal access to member states' territories for third-country nationals falls squarely within the competences of member states. Hence, policy innovations necessarily rely on member states' willingness to contribute. In practice, the only option absent substantial further integration is to count on a coalition of the willing.

Increasing resettlement from third countries

To enhance legal pathways for humanitarian migrants to the EU, the Commission proposed on July 13, 2016 to create a common EU resettlement framework. This resettlement scheme from third countries should therefore be seen as complementary to the new Migration Partnership Framework. The Commission further suggests that in order "to support Member States' resettlement efforts under the targeted EU schemes, the Commission will provide €10,000 from the EU budget for each person resettled. The funds will be allocated from the EU's Asylum, Migration and Integration Fund. Resettlements outside of the Union resettlement framework will not be supported financially by the Union's budget."⁴⁰ Under the envisaged scheme, each member state commits to a maximum number of resettled persons on an annual basis. Member states remain largely in charge of the practical operations related to identification, assessment of eligibility, and decisions on resettlement. The Commission, for its part, proposes the annual geographical focus of the resettlement scheme. The added value of EU coordination is the potential for a more strategic use of resettlement policy in the overall management of migration to EU countries. Given that member states retain control of the number of individuals resettled in their territory, the proposal effectively amounts to establishing a coalition of the willing.

The EU resettlement framework foresees a procedure in which assessing the fulfilment of refugee status is conducted in the third country prior to resettlement. As pointed out by Carrera and Guild (2017), this is not without its legal challenges. Nevertheless, the procedure is similar to the one used by the United Nations High Commissioner for Refugees (UNHCR), and the proposal explicitly mentions the potential of relying on UNHCR when identifying and assessing eligibility.

The proposed framework moves in the right direction of a fairer migration policy. Yet, it is worth emphasizing that in order to muster a genuine alternative to arriving in the EU through the 'back door,' member states' resettlement policies will need to shift gears. In 2015, which saw the most resettlements of the past 10 years, only 8,155 out of more than 330,000 positive decisions on asylum came through resettlements.⁴¹ We therefore call upon member states to start the process of increasing their national resettlement programs (through UNHCR or other agencies) even before EU legislation is passed. Member states' incentives when it comes to relieving irregular migratory pressure on the EU are broadly aligned. Hence, even without EU coordination, individual member states' programs have an impact.

Opening legal pathways for labor migration

EU countries where labor market conditions and the demographic outlook are favorable to labor immigration should further open up opportunities for legal migration from third countries. The EU Blue Card Directive and its latest proposed revision target highly qualified individuals.⁴² At the same time, some member states may also benefit from immigration by low- and medium-skilled workers. Providing third-country citizens with legal channels of labor migration to the EU could potentially serve as a further instrument to curb irregular migration flows. Governments of source countries may find it easier to cooperate with the EU in curbing irregular migration, e.g. through readmission agreements, if they can offer their citizens the prospect of legal migration. Development assistance from the EU and its member states could promote vocational training to develop skills that are useful in the country of origin and also allow participants to qualify for legal work in the EU. As with resettlement, the more EU countries are able to speak with one voice, e.g. by pooling the numbers of legal migrants accepted, the more leverage they will obtain with source countries.

³² European Commission, "Member States' Support to Emergency Relocation Mechanism," April 27, 2017, https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/press-material/docs/state_of_play_-_relocation_en.pdf (accessed May 4, 2017).

³³ European Commission, Proposal for a Regulation of the European Parliament and of the Council establishing the criteria and mechanisms for determining the Member State responsible for examining an application for international protection lodged in one of the Member States by a third-country national or a stateless person (recast), Brussels, May 4, 2016, <https://ec.europa.eu/transparency/regdoc/rep/1/2016/EN/1-2016-270-EN-F1-1.PDF> (accessed May 4, 2017).

³⁴ G. Gotev, "Schulz admits mandatory relocation of refugees has failed," EurActiv, September 16, 2016, <https://www.euractiv.com/>

<section/justice-home-affairs/news/schulz-admits-mandatory-relocation-of-refugees-has-failed/> (accessed May 4, 2017).

³⁵ Z. Gabrizova, K. Kokoszczynski, A. Zachová, and E. Zgut, "Visegrad and migration: Few prospects for a change in position," EurActiv, January 16, 2017, <https://www.euractiv.com/section/global-europe/news/visegrad-and-migration-few-prospects-for-a-change-in-position/> (accessed May 4, 2017).

³⁶ Article 3(2) of the Dublin Regulation, the 'sovereignty clause,' states that a member state may take responsibility for an asylum application even if it would not legally be responsible. Note that the Commission proposal on the reform of the Dublin system of May 4, 2016 intends to remove the sovereignty clause from the Dublin Regulation. However, this would not pose a problem if the proposal was adopted in its current form, including the relocation mechanism.

³⁷ European Commission, "EU budget for the refugee crisis," February 10, 2016, https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/background-information/docs/eu_budget_for_the_refugee_crisis_20160210_en.pdf (accessed May 4, 2017).

³⁸ Eurostat data.

³⁹ This estimation assumes an average time of stay of one year for each asylum seeker over the 2015/2016 horizon. Calculations based on monthly data from Eurostat show that this holds approximately true.

⁴⁰ European Commission, "Enhancing legal channels: Commission proposes to create common EU Resettlement Framework," Brussels, July 13, 2016, http://europa.eu/rapid/press-release_IP-16-2434_en.htm (accessed May 4, 2017).

⁴¹ Eurostat, Eurostat Press Release 75/2016, Brussels, April 20, 2016.

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

Lead authors: Anna Di Bartolomeo, Rezart Hoxhaj and Alessandra Venturini

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:¹

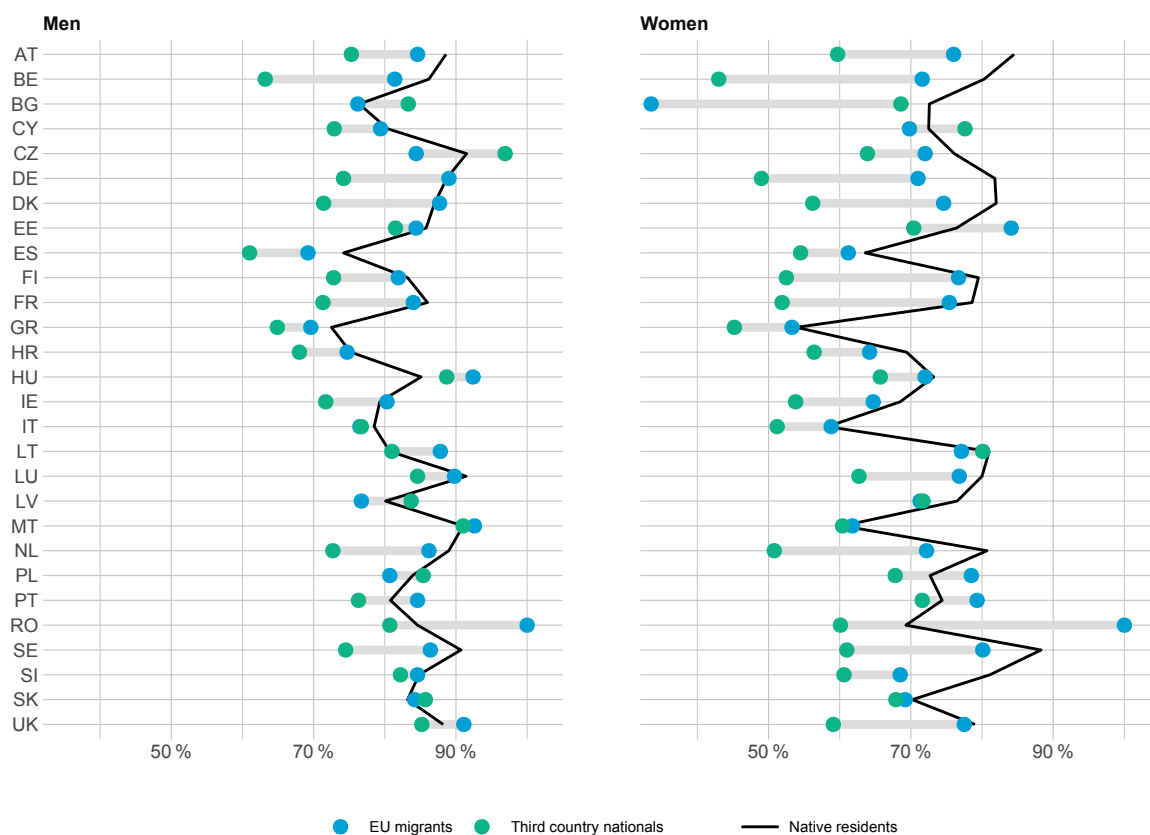
- First, the functioning of the labor market and the economic situation of host countries, which condition the probability of finding a job, are quite different. For instance, the unemployment rate ranged between 4 percent in Germany and 22 percent in Spain in 2014. In addition, the presence of high 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,

¹ 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.² 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

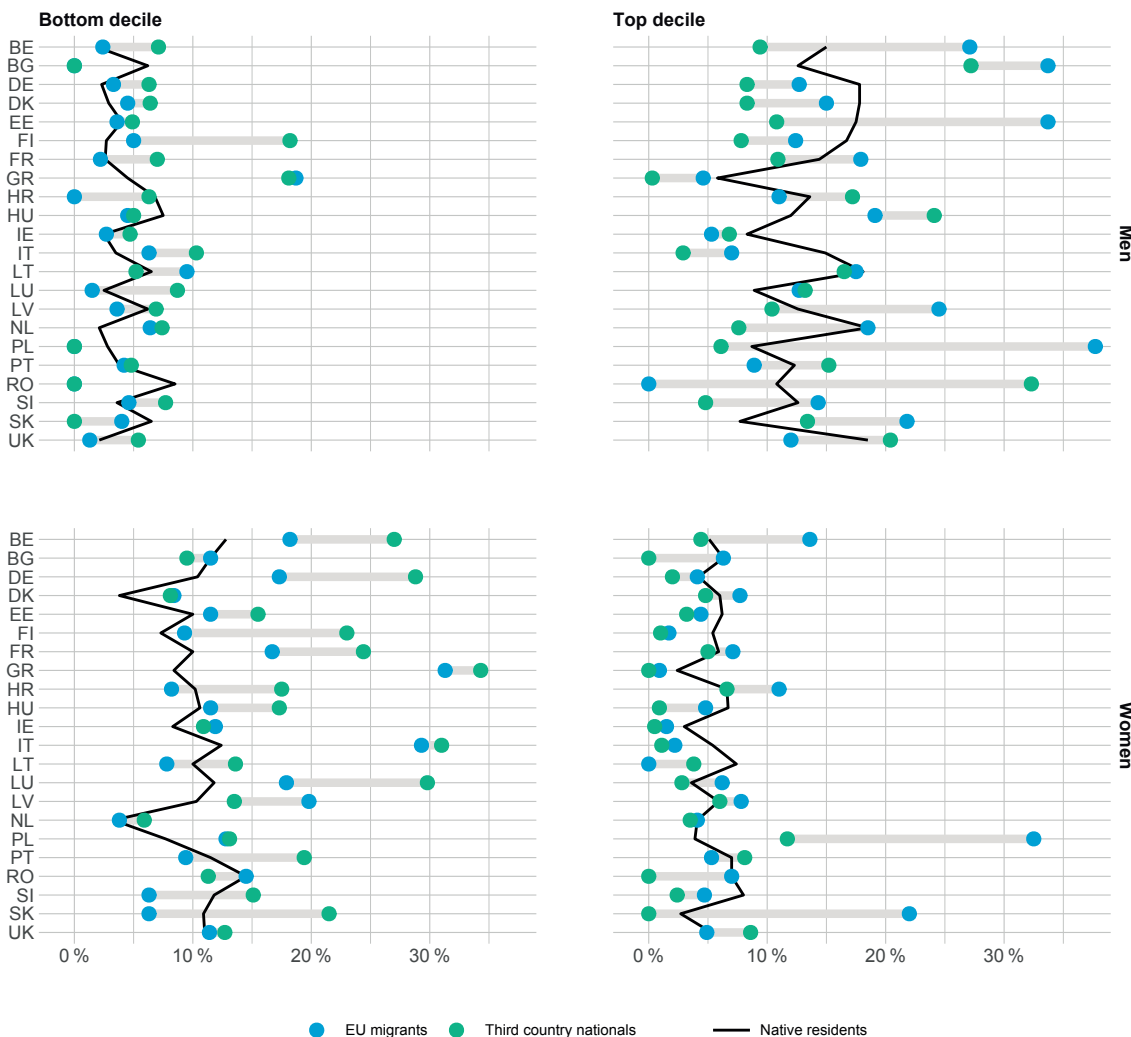
the proportion of third-country nationals (male and female) in the bottom income decile is higher when compared with their local counterparts. In longstanding countries of immigration, the situation is more varied, with Germany and Finland patterned like the southern European group. Again, third-country 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.

²Income 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-

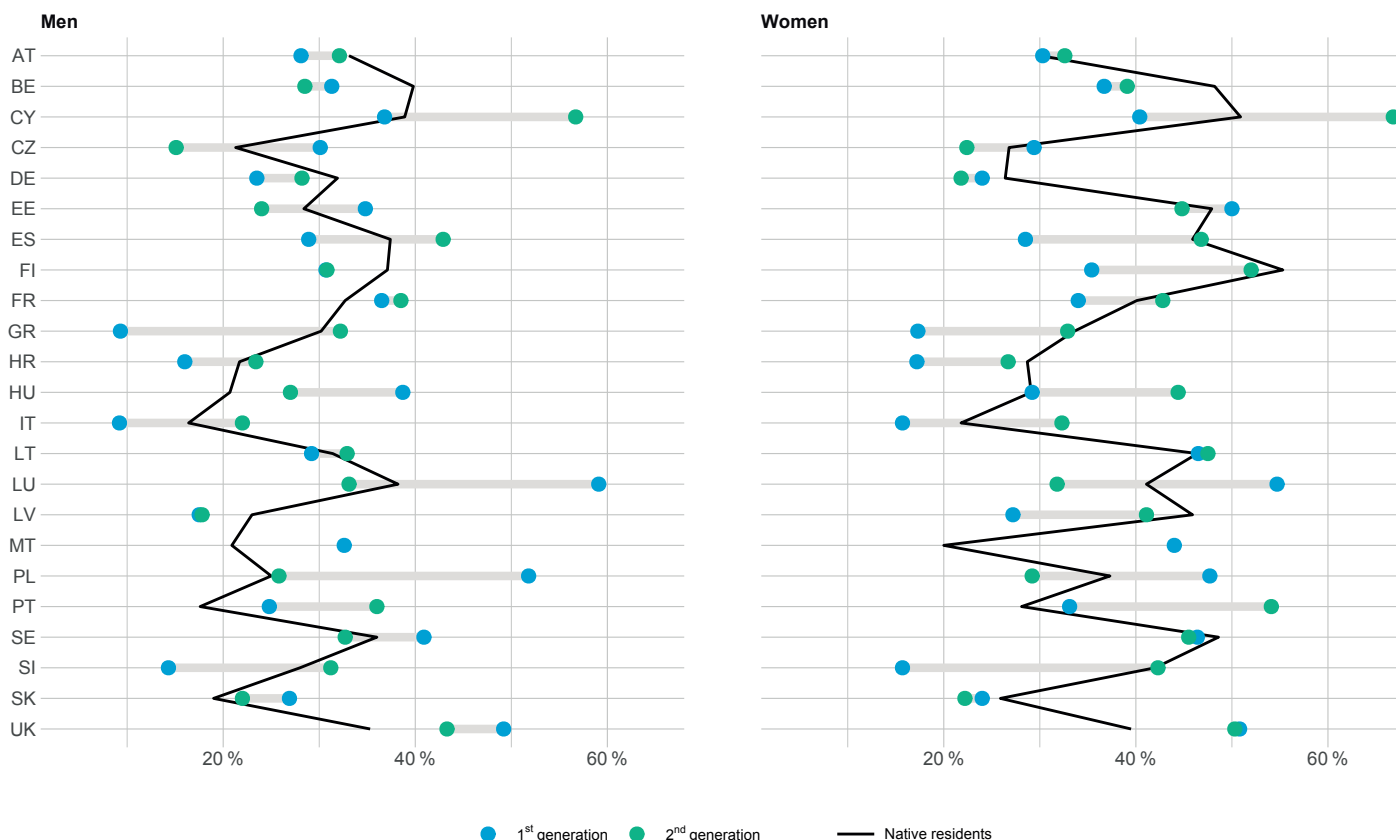
ment in education for second-generation women over men. Unfortunately, the data do not allow us to distinguish between EU migrants and third-country nationals.

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.

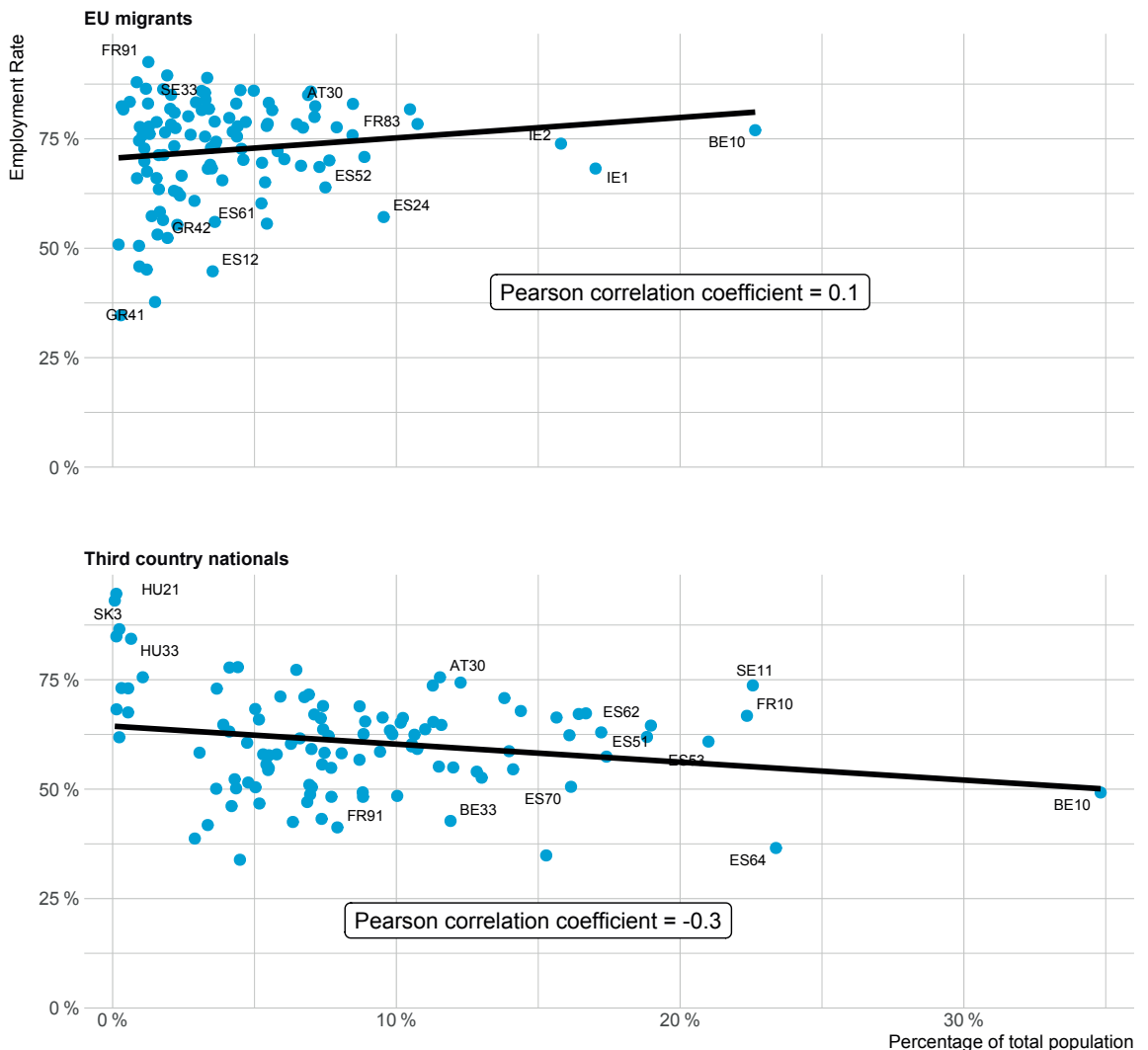
Second, the most critical situation is that of immigrant women from third countries. They are poorly integrated into host societies from an economic perspective regardless of age or education. This is true especially for some longstanding immigration countries and Scandinavian countries, such as Belgium,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

Lead authors: Esther Ademmer, David Benček and Tobias Stöhr

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.

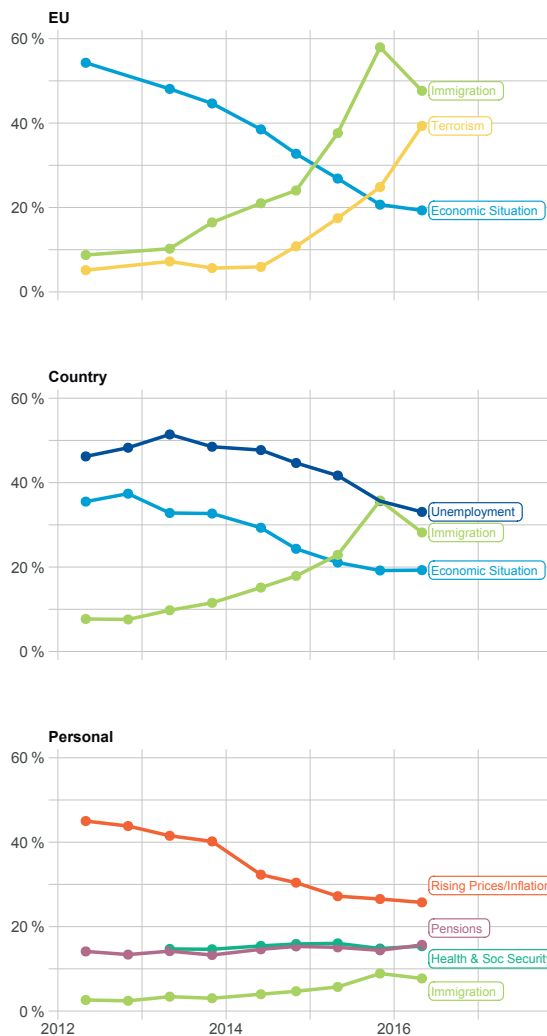
But how do public attitudes matter for policymaking? In democracies, policies are ideally a reflection of voter preferences. Elected representatives need to consider not only their own ideologies, but also rely on their perception of what might be reasonably expected in terms of the (economic) effects 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-

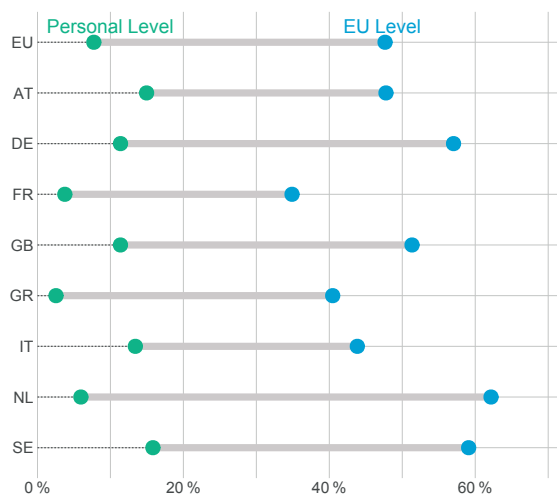
Figure 3.5a What are the two most important issues?

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 poll³ 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

³ See http://www.forschungsgruppe.de/Umfragen/Politbarometer/Archiv/Politbarometer_2016/Dezember_2016/

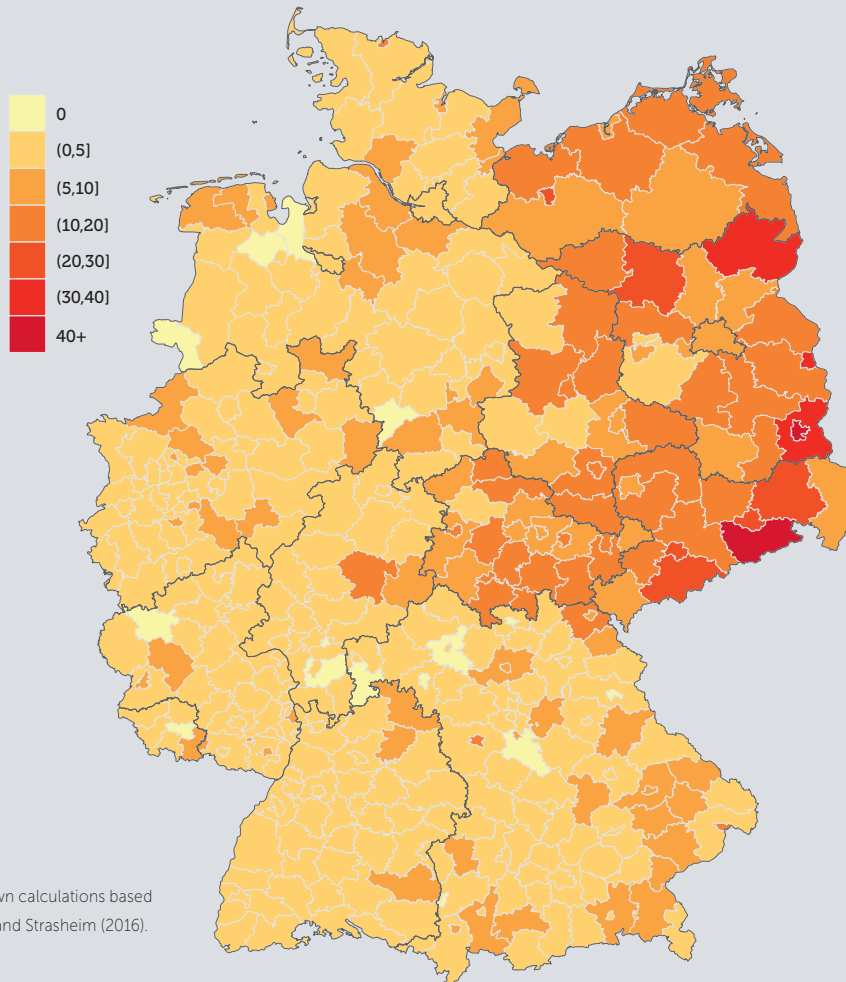
Box 3.1 Refugees and hate crimes in Germany

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 mixed⁴ 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;

⁴ 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)⁵ 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.

⁵ 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 Laurentsyeva⁶

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 refugees⁷ 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).⁸ 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

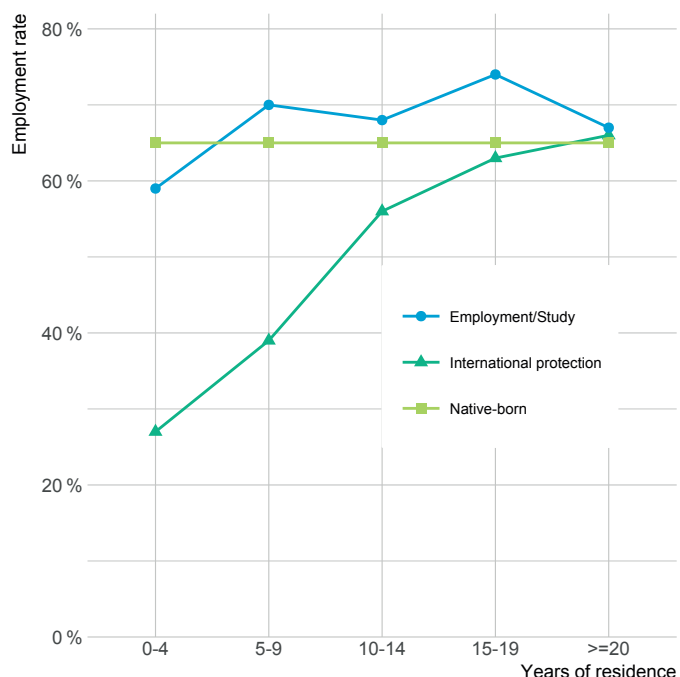
Compared with economic immigrants, refugees face more challenges in the labor markets. First, destination countries cannot select refugees based on their skills or how they match the existing labor demand. At the same time, refugees do not fully control the timing of their migration

⁶ 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.

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

⁸ 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

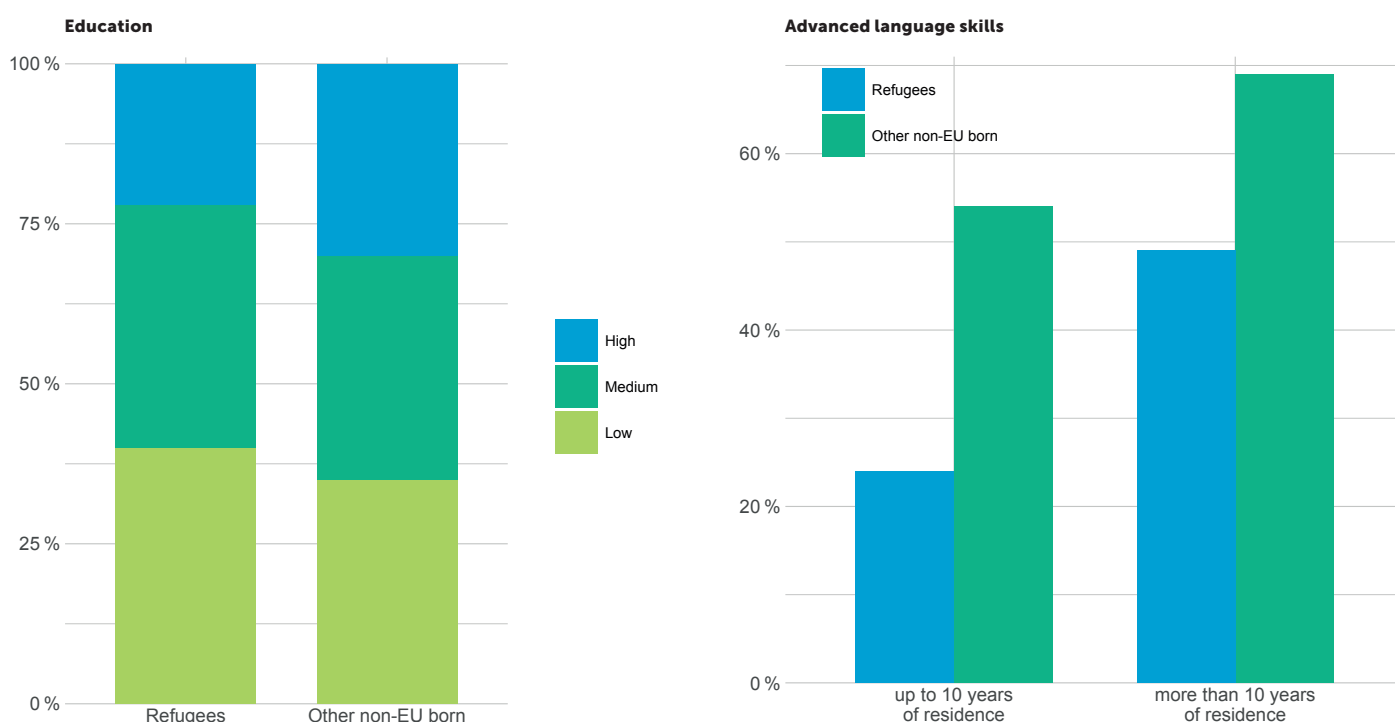
Unlike regular economic immigrants, refugees are not selected based on their skills. Therefore, there is a general perception that low education and a lack of professional qualifications prevent refugees from finding jobs. With respect to formal education, there are indeed differences between refugees 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.⁹ 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.¹⁰ The cumulative earnings of immigrants who took part in the program, relative to a comparison group, increased by 47 percent over 10 years.¹¹ 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.¹² 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,

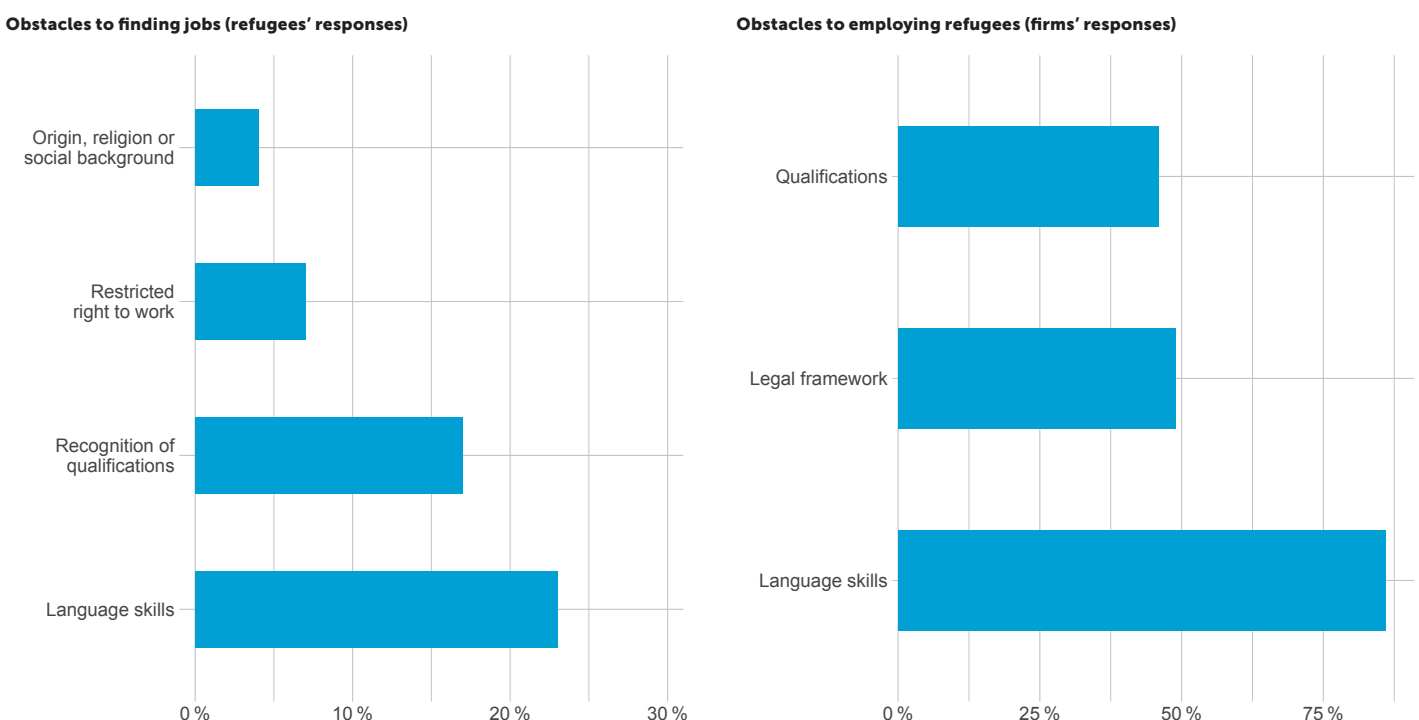
⁹ In many EU countries, refugees are not allowed to choose their location, but are allocated across the host country according to criteria that most often include population size and the state of the economy.

¹⁰ 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.

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

¹² 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?¹³ 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.¹⁴ 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.¹⁵ 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).¹⁶ 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

¹³ 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.

¹⁴ See Föti and Fromm (2016), Martin et al (2016) and Dumont et al. (2016).

¹⁵ 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.

¹⁶ 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

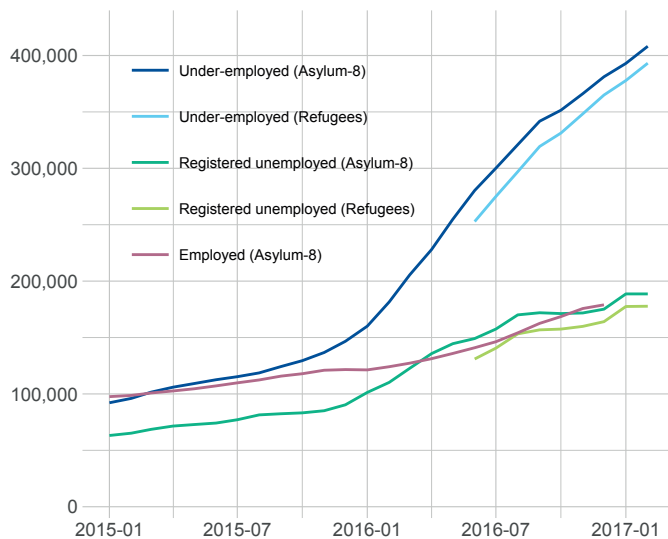
As mentioned, the number of employed refugees is not directly observable and therefore needs to be approximated by the number of employed nationals of the main non-European countries of origin of current refugees. In December 2016, 179,000 nationals of these countries either held a job subject to social security or a mini-job.¹⁷ 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 57,000.¹⁸

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.

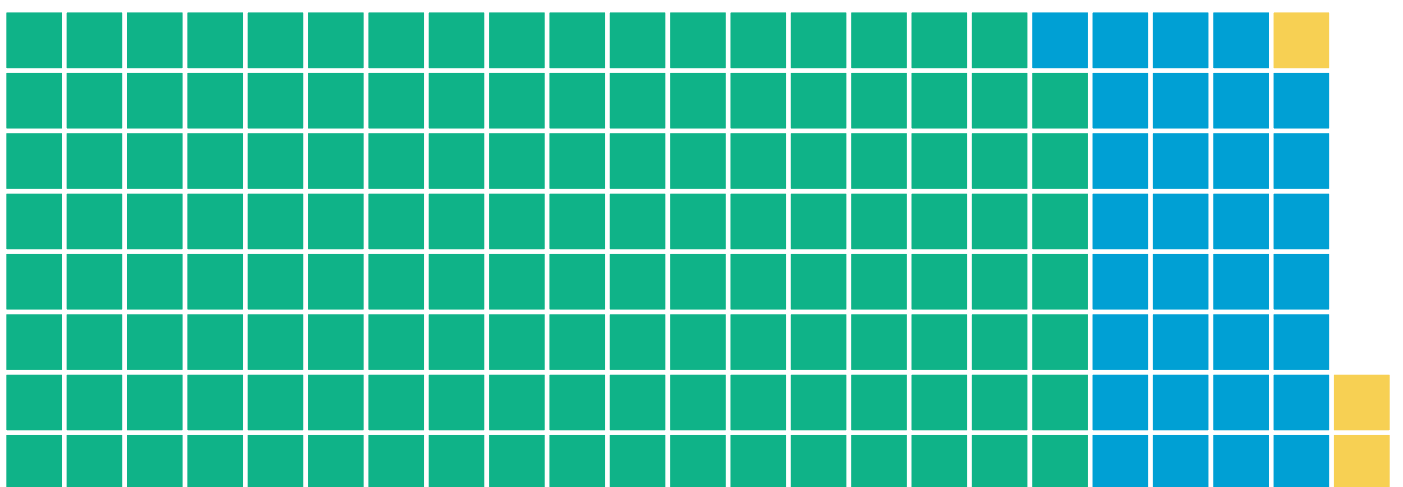
Moreover, this survey confirms earlier estimates of the speed of labor market integration of refugees, which were based on representative surveys among refugees who have arrived in Germany since 1995. As those refugees differed from the recent ones in terms of their countries of origin and socioeconomic 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

¹⁷ Mini-jobs are jobs earning not more than €450 per month.
¹⁸ 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



1 square = 1000 people

■ Asylum application approved (80 %) ■ Asylum application pending (18 %) ■ Asylum application rejected, but expulsion suspended (2 %)

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.¹⁹ 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".²⁰

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.²¹

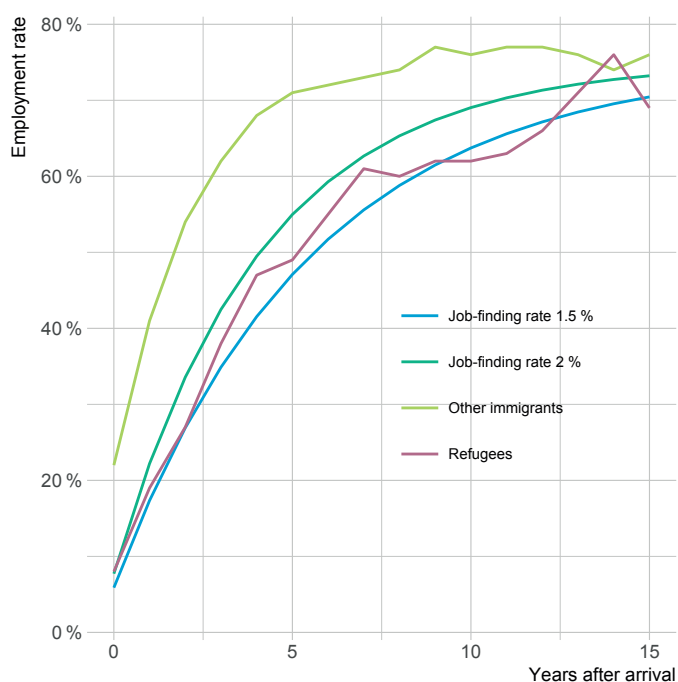
There are also substantial differences among participants from different countries, with Syrian job seekers

¹⁹ 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.

²⁰ 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>.

²¹ 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.

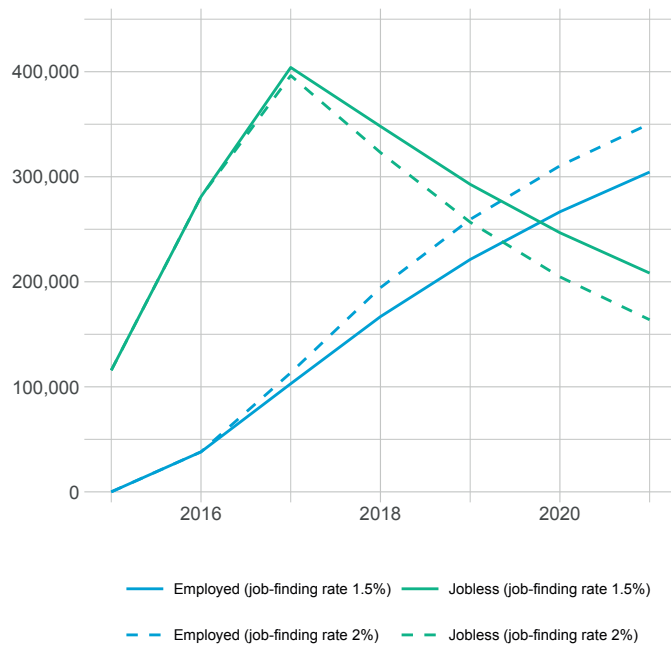
When interpreting and extrapolating the survey results, it is important to keep in mind that the sample is not representative of all refugees. The participants attend the NGO’s sessions voluntarily and thus reveal themselves to be active job seekers. On the one hand, their motivation to find work and 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.²² 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

²² 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.²³ 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

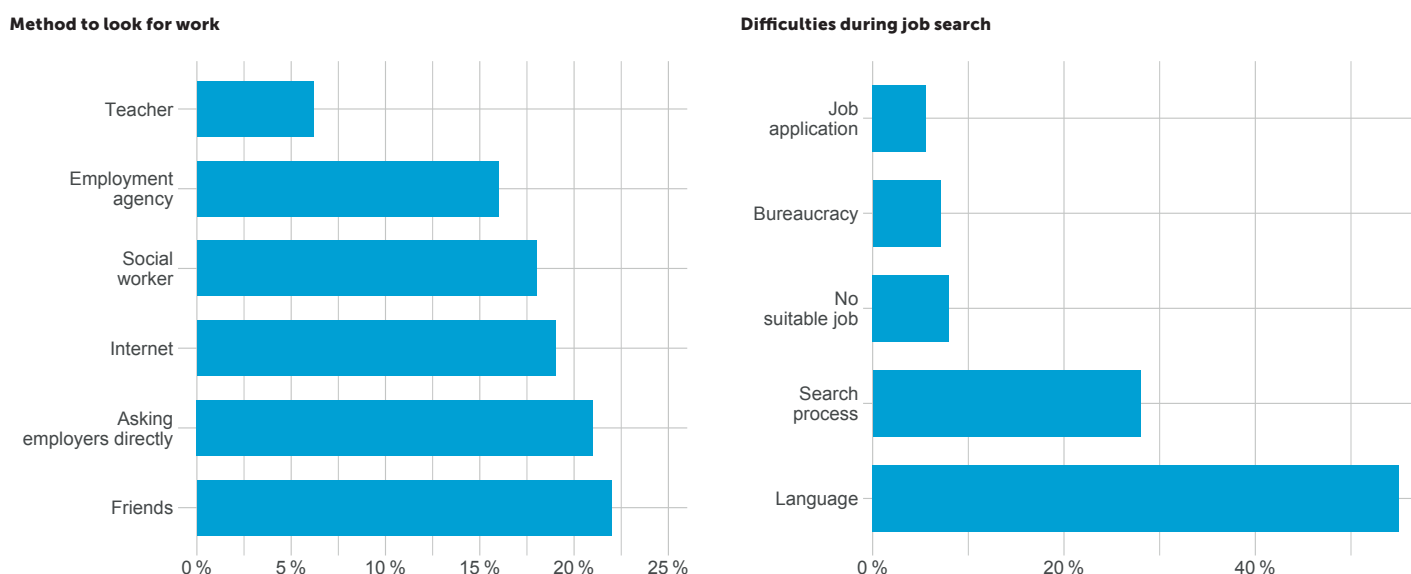
reported difficulties reflects the fact that the participants have become more familiar with how one may search for a job in Germany. The language barrier remains the major issue, its importance slightly decreases as the participants progress in learning German.

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-

²³ 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



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?

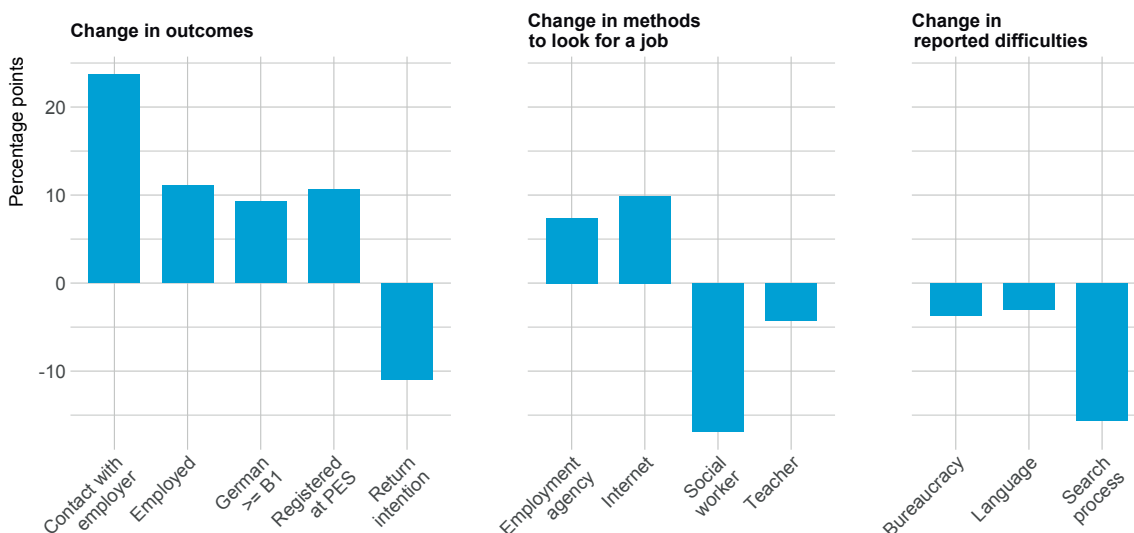
Apart from providing survey evidence, the project applies an experimental design to evaluate the importance of matching frictions for the labor market integration of refugees. In a nutshell, the project design allows for the causal evaluation of the NGO’s personalized matching services. During the counseling 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.²⁴ As a relevant outcome, we choose the incidence of being in contact with a German employer for an interview, job offer, or work.²⁵ The light green bar plots the mean outcome of those participants who were offered all of the NGO’s services, including job match-

²⁴ 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.

²⁵ 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.

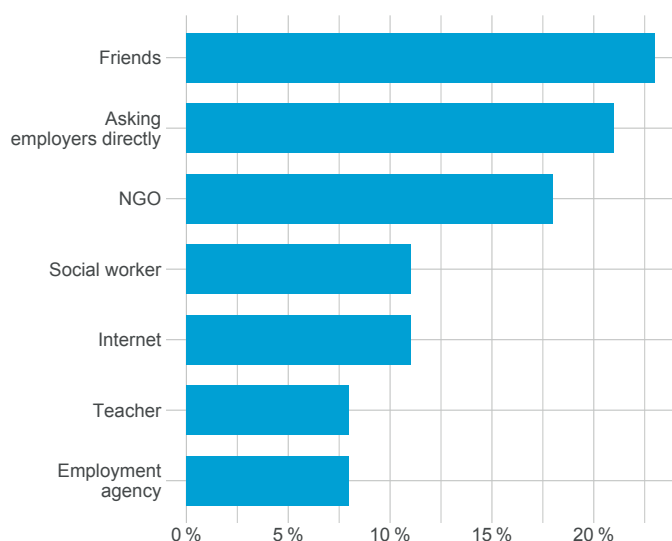
ing. The purple bar on the right side plots the mean outcome of those who were offered all services except for the direct matching with employers. Among the participants who had no access to matching services, 34 percent had contacted a German employer within the previous six months. Among those who 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).²⁶ 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.²⁷ 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.

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

²⁷ 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).

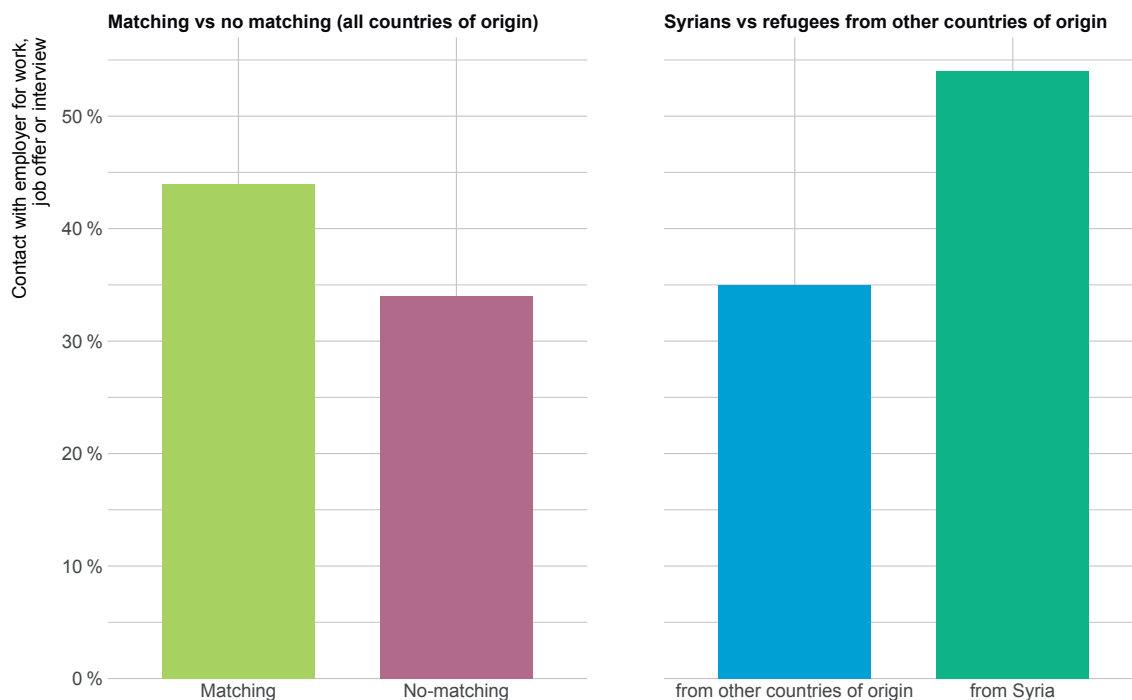
Yet, allowing access to work for asylum seekers leads to a more controversial question: Should an employed asylum seeker whose application has been rejected be allowed to continue to live and work in the host country? In other words, should there be an option for a status conversion from the ‘asylum track’ to the ‘labor migration track’ if an asylum seeker fulfills the requirements for the labor track?²⁸ 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.

²⁸ 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.

4. A country-of-origin perspective: migration decisions, development assistance, and how migrants help to shape values at home

The flows of migrants that we observe are the outcome of ongoing decisions by millions of individuals and their families on whether to migrate or not. Potential migrants weigh the benefits of migration (tangible and intangible) against the cost (again, tangible and intangible). Similarly, migrants and their families decide whether to stay in their host country or return home, and how much time and money to invest in tangible and intangible assets specific to their host and home countries.

If policies to manage migrant flows (chapter 2) and promote the economic and social integration of migrants in host countries (chapter 3) are to be effective, policy makers must take into account the way migrants make these decisions. In section 4.1, we review the relevant theoretical and empirical literature and point out implications for the current debate on asylum and migration policies in Europe. Specifically, we ask how rising per-capita income affects emigration from poor countries and how potential migrants are likely to react to the fortifying of borders between poor and rich countries.

In the ongoing public debate on immigration in Europe, there are often calls for development assistance to be re-invented to eliminate the underlying causes of migration from poor countries. In section 4.2, we draw on our understanding of how individuals and families decide whether

to migrate (section 4.1) to review the complex linkages between migration, on the one hand, and development assistance, financial remittances sent by migrants, and other financial flows to developing countries, on the other hand. We also discuss the challenges inherent in recent EU aid programs that target measures to reduce irregular migration by the recipient countries.

Many migrants maintain close links with family and friends in their countries of origin, even while their economic and social integration is progressing well in their host countries. This situation of having close economic and social links in two societies has been characterized as migrant transnationalism. Apart from financial remittances to family and friends, transnationalism also leads to ‘social remittances’: the transfer of values that migrants acquire in their host countries, to family, friends, and society at large in their countries of origin. We review the research literature on when and how migration may affect fertility behavior, the social status of women, and political attitudes in migrants’ countries of origin (section 4.3). This analysis helps us to better understand the ties that bind migrants to their countries of origin and destination, and hence migrants’ decisions on where to live. Furthermore, by changing social and political values and institutions in countries of origin, social remittances are potentially an important channel through which migration affects development.

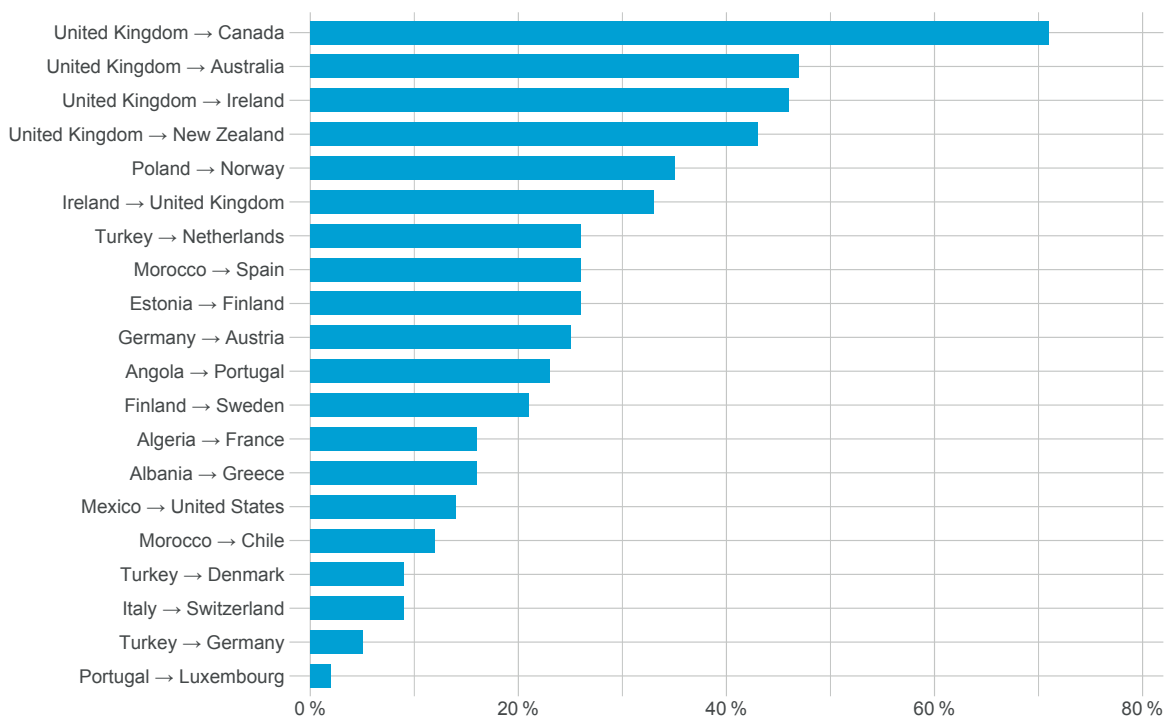
4.1 Determinants of migration: Who leaves, who arrives, and what drives their destination choices?

Lead authors: Claas Schneiderheinze and Tobias Stöhr

The process of migration starts when individuals decide to leave their country of origin – either because their lives are not safe and they seek protection abroad (forced migration), or because they look for better economic opportunities (labor migration). Individuals do not make such decisions alone. The cost of migrating may be borne by family and household members and emigrants are often expected to reciprocate by sharing their future higher incomes abroad with relatives back home through regular or one-off remittances. Living conditions at home, earnings opportunities abroad, and the immigration policies of potential destination countries all affect whether individuals decide to emigrate and where they go.

We need to understand how potential migrants make these decisions because the process has a major impact on the present and future number of migrants as well as their socioeconomic characteristics. For example, while 31 percent of immigrants ages 15 and older in the U.S. had at least some college education in 2011, this share was 22 percent in Germany and only 12 percent in Italy (own calculations based on the OECD Database on Immigrants in OECD Countries, DIOC). Figure 4.1 shows that the largest bilateral migrant stocks differ considerably in the share of highly skilled migrants. The socioeconomic characteristics of immigrants affect their labor market and social integration and have important implications for possible policy interventions and even for internal security in destination countries.

Figure 4.1 Share of highly skilled migrants among the bilateral migrant stock, 2010
most important stock per destination



Source: Own calculations based on IAB brain-drain data (Brücker et al. 2013).

Such differences in the composition of immigrant populations are the result of both migrants’ decisions and destination country policies. Immigrants who arrive in a destination country will have made several choices: They will have considered staying in their country of origin, but have ultimately decided to leave. They will have advanced from the stage of merely considering the possibility of emigration to making specific plans to actually moving to a destination country. They will have decided whether to migrate legally or illegally. Once in the destination country, they may have considered staying for a longer time but, due to changing circumstances or new information, may have decided to migrate on. All these decisions are taken under binding constraints, especially the immigration policies of potential destination countries, such that desirability and feasibility often do not overlap.

Determinants of migration and destination choice

Migration decisions consist of two steps: ‘self-selection’ and ‘sorting’. Self-selection describes the process through which some members of a society decide to become emigrants, while the majority stays behind. Sorting describes the choice of destination. These two decisions are of course taken simultaneously; therefore, many determinants affect both the number of emigrants and the choice of destination. In order to assess how policies influence migration, it is thus important to always consider the impact on both self-selection and sorting.

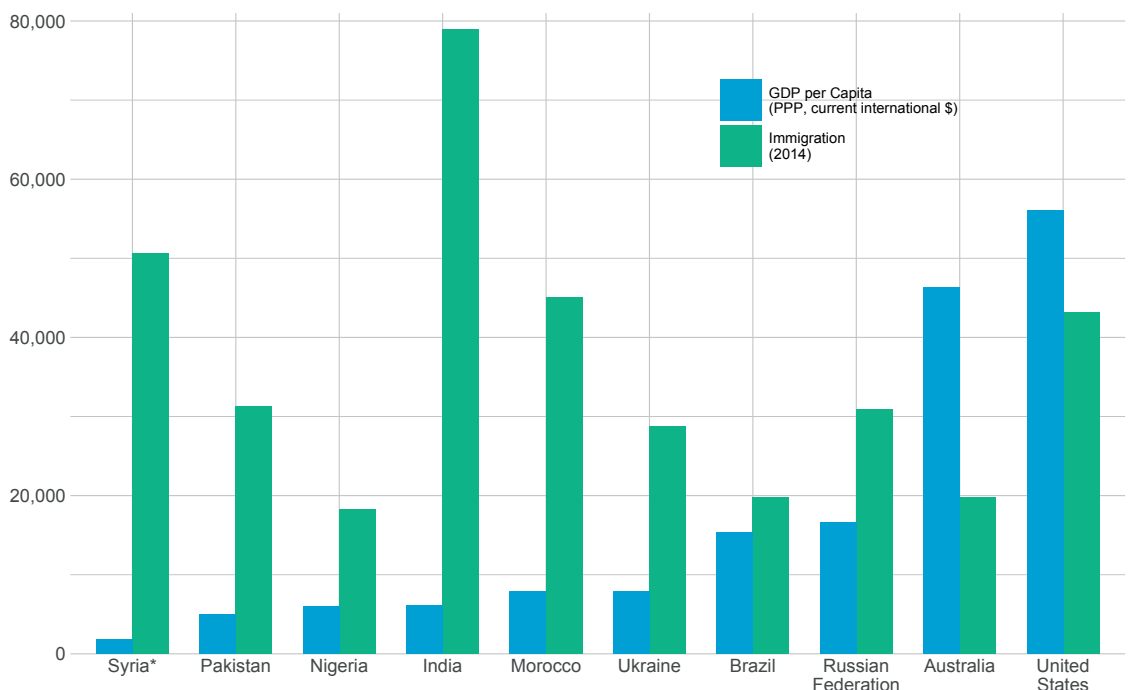
Traditionally, determinants of migration have been categorized as push vs pull factors (Lee 1966). On the one hand, factors in the country of origin that increase the likelihood of people leaving are said to ‘push’ people out.

On the other hand, factors that make potential destination countries attractive ‘pull’ a prospective migrant to a destination. This framework, however, is incomplete. Positive developments in the country of origin can make it more attractive to stay and likewise, a destination can become less attractive over time. A better way of conceptualizing the migration decision is as a **subjective cost-benefit comparison** that takes into account many factors, including possible barriers to migration (such as restrictive immigration policies) and the cost of overcoming them. Furthermore, the costs and benefits of migration heavily depend on individual factors, such as education, language skills, personal networks, and the distinct social and economic prospects in the home country. Merely studying push and pull factors at the country level without considering migrants’ individual characteristics would lead to an incomplete analysis with little explanatory power.

By contrast, in an individual cost-benefit model, prospective migrants not only compare their current situation with that in one destination country but also take a considerably more complex decision. **Potential migrants compare their expected utility in their country of origin with that in a set of potential destination countries.** At a given point in time, their migration propensity is determined by the benefits and costs of moving to the subjectively most attractive destination country. This is the basic utility maximization framework.

Many destinations will not be seriously considered because they are too unattractive or potential migrants do not have sufficient information about them. In this context, attraction is defined broadly to include country-specific policy-induced and psychological costs.

Figure 4.2 GDP per capita of 10 major countries of origin, 2014 immigrant flows



Sources: Own calculations based on data from Eurostat. * For Syria, no PPP estimate is available.

Financial migration costs affect both self-selection and sorting. If migration cannot be financed to any destination, emigration becomes **infeasible** for the very poor. Yet typically, financial costs only restrict the set of reachable destinations. With increasing income levels, the absolute importance of financial migration costs for emigration as well as sorting decreases. **Psychological costs**, for example the separation from family and friends or the feeling of not ‘belonging’ to the society at the destination, at least initially, are largely unmeasurable – yet many migration researchers consider them to be far more influential than the financial cost of migration. As a result of modern communication technology, psychological migration costs are lower than in the past. Still, they may be crucial for the choice of a specific destination country and for the decision between circular and permanent migration. Psychological migration costs are probably related to income in a similar way as workers’ valuation of leisure: with higher income, financial migration costs become less important, but psychological costs remain highly significant. Nevertheless, as Figure 4.2 shows, income and income differences between origin and destination explain far less of the variation than many in the public would believe. Other factors such as the absolute size of the country of origin and many country-specific factors that we discuss below are also part of the story. Also, the composition of the top 10 countries of origin of migrants to the EU is far from the perceptions conveyed in the media, policy debates, and public discourse in general.

Individual costs and benefits of migration depend significantly on characteristics shared between the migrant and the potential host-country populations. **Shared languages and culture** lower the cost of migration by facilitating labor market and social integration; they often explain why a particular, far-off place is the favored destination of emigrants from a particular country. Even between linguistically and culturally very different countries, bilateral migration can be high if family members, friends, acquaintances, or other co-ethnics have already settled in the destination country. Such migrant networks transmit information about specific destinations to their nodes in other countries and thus improve access to information. Furthermore, they allow emigrants to cope without knowledge of the host country’s language, may provide shelter, and often make it easier to find the first job after arrival. **The foremost impact of networks is thus on sorting**, by making one destination (maybe even a particular location within a destination country) far more attractive than all others.

Within the specific, bilateral, origin–destination country pair, the decrease in migration cost and the higher chance of finding employment owing to the presence of a personal network can tip the scale for an individual toward migrating. Over time, well-established networks thus attract ever less highly self-selected migrants. Network effects mean that large, idiosyncratic inflows of immigrants can have implications for bilateral migrant flows for decades afterward. One example is immigrants from Turkey in Germany – countries that share neither a common border nor language. By channeling remittances, trade, and investment, such longstanding ties can bind different countries together in ways that go far beyond hosting bilateral immigrants.

In contrast to the costs of migration, the potential benefits depend far more on **differences in country characteristics**. Traditionally, **income differences** between two countries are viewed as the key motivation for international migration. Other things being equal, a migration-induced increase in disposable income clearly raises a destination’s attractiveness. However, research has shown that for many migrants, absolute deprivation and low levels of **local amenities** play a crucial role for the decision to leave home and can be more decisive than country differences in income. For example, local amenities, such as public service provision, governance, and security, explain more of the migration decision in developing countries in Africa, Asia, and South America than income (Dustmann and Okatenko 2014). Hence, low subjective well-being in the country of origin is considered a good indicator for emigration intentions (Cai et al. 2014) and heavily influences self-selection.

The way country differences play out in the migration decision highly depends on **migrants’ individual characteristics**, such as education or language skills. Generally, more educated individuals are more likely to migrate. This is because the level of education positively affects the employment opportunities and expected wages in the destination country and consequently increases the benefits of migration. On average, migrants are thus positively selected from their country of origin. In addition, there is positive sorting: countries differ in their financial return to education because of the sophistication of their economies, the relative supply of workers of different skill levels, and taxation. A country with higher returns to skills thus attracts more positively self-selected immigrants (Grogger and Hanson 2011). While sorting is heavily influenced, the influence of education on emigration intentions should not be overestimated. Income differentials between the developing and the rich world are so large that even low-skilled workers, who may have difficulty finding jobs in advanced economies, can multiply their real incomes through migration (Clemens et al. 2008).

Higher education is an important prerequisite for **migration to many destinations**, though. In many countries, immigration policy conditions legal access on higher education while illegal migration is often unattractive. In such cases, education may be the crucial factor that makes migration feasible and thereby affects the incidence of migration, the choice of destination, and the choice of status (legal or other).

Prevailing constraints on legal migration are binding for most aspiring migrants and function like a filter. For those who do not qualify for (legal) immigration to any rich country, other countries in the developing or emerging world might be accessible, but not attractive enough. Particularly in the case of points-based immigration regimes, such as Canada’s, a disproportionately high share of the immigrant population exhibits those visible characteristics that are targeted by the system. Many other would-be immigrants only have the option of **illegal immigration** or trying their luck as an asylum seeker. This is why countries in Europe with higher barriers to legal immigration also see higher numbers of illegal entries and why countries that deny a higher proportion of asylum claims have more illegal stayers (Czaika and Hobolth 2016).

Finally, three factors are all too often omitted when analyzing migration flows at the macro level – information, uncertainty, and the planning horizon. They are crucial because they determine how individuals weigh all the factors that influence their migration decision against each other.

First, if **information** is scarce, expectations of the costs and benefits associated with migration may be far from the truth (see Box 4.1). With limited knowledge of possible destinations, migrants will consider a smaller set than they could actually access. Individuals with little information may also decide broadly that migration seems attractive to them and only then start considering absolute as well as destination-specific constraints. Such a two-step decision process could explain why many more people state a willingness to migrate internationally than follow through with their plans within a reasonable period of time (e.g. Docquier et al. 2014).

Second, another reason for relatively low rates of emigration (compared with the number of people who stay) is **risk**. Income as well as overall well-being abroad is uncertain, which makes migration less attractive particularly for the risk averse.

On the other hand, emigration may be motivated by a desire to diversify risks faced in the country of origin. In most developing countries, extended families function as the relevant economic units, sharing large parts of their incomes and collectively deciding about economic matters. In this context, migration by individual family members may help to diversify income risks and thus improve the well-being of the extended family. Particularly in rural areas in developing countries, sending family members to urban areas decreases the detrimental consequences of negative shocks to agriculture, and thus reduces the risk of hunger and deprivation. If risk reduction is the main motive for sending a migrant, this person may not be the one with the highest expected earnings at the destination. This is among the insights from the so-called ‘New Economics of Labor Migration’.

Nevertheless, families typically do not go over the heads of the affected individuals when they take migration decisions. The potential migrant’s personality also matters. Risk-averse individuals are more likely to shy away from uncertain outcomes abroad than those who are more tolerant of risks. Therefore, the absolute and relative levels of risk involved in reaching each possible destination affect self-selection and sorting and, hence, the average characteristics of those who arrive. On the other hand, in a high-risk environment in the country of origin, such as during a civil war, self-selection may run the opposite way, as the most risk-averse people may be the first to leave.

Third, migrants not only consider the present but also have a **planning horizon** that may extend to their children and thus go well beyond an individual’s lifetime. Expected outcomes in the country of origin and at possible destinations are also likely to be considered well into the future. It may therefore be rational to migrate from an existing job at home into unemployment abroad, if the expected probability of finding a job in the destination country at a higher wage is sufficiently high.

Migration is thus an investment that has to pay off over the life cycle; as a result, the expected benefits of migra-

tion loom larger for the young. A country that provides a long-term perspective for immigrants, such as a firm prospect for permanent residency, can expect to attract immigrants who are well motivated to spend time and effort to integrate into the labor market and into society at large, to build a business, etc. By contrast, if the legal status of immigrants is insecure a country will attract primarily those who are interested in quickly earning some money, without much longer-term attachment to the country.

In combination with the perspective of the new economics of labor migration, these three factors explain why the recent wave of refugees and other immigrants to Europe consisted largely of young men, some with very misguided expectations of life in Europe, who paid high fees to people smugglers to enter the EU irregularly, while most national labor markets in the EU are not legally accessible for most of the world’s population.

The special case of forced/refugee migration

Forced migrants (or refugees) merit a separate discussion because their motives differ from labor migrants and they often arrive in a host country suddenly and in relatively large numbers (as in the EU during 2015). Refugee status may be based on either persecution (political, ethnic, religious, or related to sexual orientation) or violent conflict in the country of origin (subsidiary protection). Leaving aside mixed migration (i.e. a combination of economic motives and persecution), refugees differ from other migrants in that they perceive remaining in their home country as very risky. That risk may be thought of as a negative component of their migration cost (i.e. reducing the total cost). As a result, refugees become less and less self-selected, the higher the risk of remaining in their country of origin (see Chin and Cortes 2015).

In some circumstances, such as persecution for political opposition, this risk is individual; in other circumstances, such as a civil war, the risk affects most of the population. In either case, there may be no expected wage gain or other economic improvement through moving abroad. Quite to the contrary: refugees living in camps or simply squatting often have to sell any remaining assets to survive, especially if host countries limit labor market access.

Most refugees are hosted by developing countries. Many refugees around the world depend on humanitarian assistance but especially in less publicized crises there is often little outside support. In such cases refugees are far from passive. With few formal labor markets, they may be actively rebuilding their lives, integrating economically with the host population without depending on humanitarian assistance from host societies or international sources (Betts et al. 2014). This can spark competition but there can also be winners in the host population, for example farmers facing increased demand for their produce.

The economic perspective does not play a major role in determination of the first country of refuge; what matters is distance and accessibility. Even common languages or historical ties are not statistically robust predictors for the sorting of refugees (Echevarria and Gardeazabal 2016), not least because of national migration and asylum policies.

Box 4.1 Information sources, the quality of information and migrants' expectations

Ancedotal evidence, such as the quote above, suggests that often a migrant's expectations at the time of the move are not met in reality. The mismatch between expectations and realization is a consequence of unrealistic and/or false expectations based on inaccurate information about life conditions and earning potential at the destination.

Potential migrants may have access to several sources of information. The socioeconomic behaviors of visiting immigrants might give non-migrants a false impression of life abroad. For example, by consuming lots of goods that indicate high social status, such as expensive clothing, visiting immigrants may wrongly convey signals of high returns associated with the migration experience to family and friends at the home location (Gmelch 1980). Media also seems to play a crucial, though a priori ambiguous, role in informing potential immigrants. Mai (2004) finds that Albanians' overoptimistic perception of the lifestyle and wealth in Italy was highly influenced by what was shown in Italian television programs, while Farré and Fasani (2013) argue that information gathered from television broadcasting enabled internal migrants in Indonesia to make a more realistic cost-benefit analysis of migration. A more direct channel of information to potential migrants is the network of parents and relatives living in the country of destination. In principle,

I came to America because I heard the streets were paved with gold. When I got here, I found out three things: first, the streets weren't paved with gold; second, they weren't paved at all; and third, I was expected to pave them.

Anonymous Italian immigrant at Ellis Island, New York, in the early 1900s

networks have some knowledge of the local context, including labor market conditions and wage prospects. The better migration networks are integrated within the local context, the more they are able to convey accurate information to their network members who are willing to migrate (Elsner et al. 2014).

To date, aspiring migrants' ability to correctly predict the outcomes of their migration remain little studied. A case study on Tongan immigrants in New Zealand suggests they underestimate potential wages in New Zealand (McKenzie et al. 2013). By contrast,

Hoxhaj (2015) studies illegal immigrants from 55 origin countries who crossed the Italian borders in 2003. This study finds that 84 percent of them overestimate the potential wage they could earn in Italy. Obviously, an overoptimistic expectation of possibilities abroad can be financially detrimental because it can cause

bad financial decisions. Also, it can have serious implications for migrants' psychological situation if they see themselves undershooting their expected outcomes. Both financial and psychological aspects can result in 'failed migrations', i.e. situations where outcomes turn out far worse than the migrant had expected or hoped for. Measures aimed at informing potential migrants might considerably reduce such failed migrations and also lower the migratory pressure experienced by destination countries.

If refugees see no long-term perspective for themselves in their country of first asylum (or current living conditions are simply too bad), they may seek to move to another host country that offers better conditions in the medium to long run. One recent example was the widely used migration corridor from Syria first to Turkey and then onwards to Sweden or Germany (see also Box 4.2 below). Such intermittent flight blurs the distinction between refugee migration and other forms of migration. The decision to leave the country of first asylum (in our example, Turkey) again gives rise to self-selection and sorting. Those who move on are likely to be positively self-selected with respect to (remaining) wealth and labor market prospects in the final destination country. Families are often unable to fund onward migration for all members and will therefore invest in the migration of one member who they deem most likely to survive the hardships of a risky journey, find work, and sponsor family migration. If unaccompanied minors receive a more secure legal status in potential host countries than other asylum seekers, this may

tip families' incentives toward choosing a young member for secondary migration who can credibly claim to be underage. As a result, the forced migrants who remain in the country of first asylum are often the most vulnerable, which represents a challenge to the ethical foundations of the current European asylum system.

Will everybody leave sub-Saharan Africa to realize higher incomes?

Increasing international migration is often considered an inevitable consequence of globalization. Facilitated by advances in communication technology, social, economic, and cultural ties across national borders are multiplying. They help to spread information, thereby reducing actual and perceived migration costs and making emigration more desirable and more feasible for many individuals.

Yet, immigrants are regarded with reservations in many societies. Stated reasons include increased competition in the labor market, foreign infiltration, and security (see chapter 3.2). In this context, it is often argued that with-

Box 4.2 Germany's recent refugees

In 2015, close to 900,000 refugees and other migrants arrived in Germany as part of the “refugee crisis” (simply called refugees in the remainder of this box). In total, about 2 million foreigners moved to the country and over 800,000 left. In absolute terms, this inflow of 900,000 people was the largest number of new refugees in any EU member state. In most publicly available data sources, refugees are usually not distinguished from other immigrants. However, several German institutions have jointly conducted a detailed study that allows some conclusions on how self-selection and sorting have led to the large inflow of refugees (IAB 2016).

The four largest groups of recent refugees, accounting for two-thirds of the total, are Syrians, Afghans, Iraqis, and Eritreans. A large majority of the respondents report fear of violent conflict or war as a reason for initially leaving their country of origin (70 percent), followed by persecution (44 percent), but also economic motives such as poor personal living conditions (39 percent). Thus, most refugees indicate motives based on upon which they could be granted asylum or subsidiary protection. Notably, the majority of refugees did not flee directly from their country of origin to Germany: of those from Syria, Iraq, and Afghanistan, only about 60 percent came to Germany directly while the rest spent at least three months in a transit

country. The majority moved on from the transit country due to poor living conditions (reported by 55 percent of those who originally planned to stay there) or poverty, although discrimination, persecution, and a second displacement experience were also reported. More than two-thirds of interviewees said that respect for human rights was a reason why they chose Germany; more than 40 percent respectively reported that they were attracted by the German education system and the expectation that they would “*feel welcome in Germany.*”

This example shows quite clearly that conditions in the country of first asylum largely determine secondary migration, which is often driven by economic desperation. Moving to Germany from transit countries (mostly Turkey) involved high expenses on people smugglers, a considerable risk of drowning at sea, and very widespread experiences of fraud, economic exploitation, physical violence and, particularly for women, sexual violence. The large demand for smuggling services, however, reduced the cost for the individual by inducing more people to offer smuggling services or by creating the opportunity to reap economies of scale and probably also decreased the risk per individual, such that the share of young men among refugees in 2015–16 was lower than in earlier waves from the same countries.

out tighter restrictions and border controls large parts of the developing world would migrate to the richest nations to enjoy higher living standards. Judging by differences in available income alone, it is surprising that so few people from poor countries attempt to migrate to richer countries. In the Gallup World Poll, respondents are asked whether they would, under ideal circumstances, like to migrate to another country permanently. In 2010–12, for which data are available, only 7 percent responded positively to this question in Rwanda and only 10 percent in Mozambique in spite of large differentials in living standards compared with the rich world. Since the financial costs of migration are ruled out by the hypothetical ideal scenario set by Gallup’s interviewers, the psychological migration costs stemming from the preference to remain ‘home’ and the satisfaction of people with their current and expected livelihoods must be the main factors keeping the willingness to migrate low. Countries with similar income levels to Rwanda and Mozambique at the time, for example, Burkina Faso and Liberia, had a reported willingness to migrate of 28 percent and 50 percent of the population, respectively (Esipova et al. 2014). Why such large differences? While pointing out individual factors is difficult without a proper causal analysis, which is hardly feasible at the country level, one reason may be different economic outlooks. Rwanda was economically developing and fast improving amenities while Burkina Faso’s economy was largely stagnant. Post-conflict Mozambique and Liberia shared similar income levels and growth rates but the experience of civil war was far more present in Liberia. In addition, satisfaction with government and lib-

erty can play an important role. In total, all sorts of private motives for not wanting to migrate add up to a considerable implicit cost. Docquier (2016) points out that the number of aspiring migrants in the hypothetical Gallup scenario is still six times smaller than what a model of wage equalization without migration barriers would predict. Still, this would indicate a more than threefold increase compared with current migration flows.

While large shares of the population seem to be willing to emigrate, if asked in the Gallup poll only a small segment of these respondents plan to migrate in the next 12 months and ever fewer have made concrete preparations as is shown by other questions in the Gallup survey. Why this inertia? For one thing, psychological costs like leaving one’s family become salient when thinking about migration; for another, the infeasibility of legal migration due to financial constraints and legal barriers is often apparent to an aspiring migrant.

Furthermore, the possible improvement in well-being by migrating is not only a matter of absolute costs and benefits. An individual’s relative income position in a society also affects her well-being/utility and thus the subjective benefits of migration. Most people are willing to give up absolute income for a higher relative position in the income distribution. Mujcic and Frijters (2013) show in an experimental setup that the average migrant from Mexico to the U.S. would require a permanent annual income gain of about \$10,000 (or 70 percent of the initial average income) just to make up for her lower income rank in the U.S. This effect is likely to be particularly significant

for potential emigrants who are relatively well-off in their country of origin (and hence have the necessary resources to migrate) but would end up as low-skilled workers in the country of destination (and hence at the bottom of the income ladder).

In general, rising living standards in developing countries can both spur and deter out-migration. Therefore, the direction of impact is related to the initial standards of living. For very poor households increasing incomes relax the financial constraint, and thus make migration feasible (or enhances the set of feasible destinations). Apart from that, any improvement in well-being creates incentives to stay in the homeland, as the opportunity costs of migration increase and the net benefits of migration diminish. At higher income levels, income differences in relation to richer destination countries are often not sufficient to make up for risks and psychological costs. The consequence is a hump-shaped income-migration relationship, as depicted in the stylized relationship in Figure 4.3, which is based on empirical work by authors such as Clemens (2014). Even though the issue has not yet been conclusively researched, there is evidence that migration due to income differences does not imply full convergence of incomes. Rather, migration rates decrease at relative income levels of 1:4 or 1:3. In societies or groups that are not constrained in their migration decisions by financial means, external shocks such as civil conflicts, natural disasters, or economic crises potentially lead to stronger emigration responses.

Given improving living conditions in the developing world (at least on average) (World Bank 2016), the high risks associated with the migration decision, strong preferences for a high relative income, and the substantial psychological costs of migration that have a positive income elasticity, the benefits from migration must be extensive to justify a move. In consequence, for the vast majority of households expected utility is higher at home and they decide against migration independent of the immigration policy regime. Given the large numbers of households that are financially constrained though and the relatively low share of actual international migrants from sub-Saharan Africa so far (section 1.1), relaxed financial constraints due to economic development could increase the absolute number of migrants who actually follow through with their willingness to migrate under hypothetical circumstances, even if they remain a small share of the population of their country of origin. The decreasing effect of higher income levels will only be reached after a long time of sustained convergence with the rich world and most people in sub-Saharan Africa are nowadays on the upward-sloping parts of the graph in Figure 4.3.

While improving the current economic condition in the country of origin is thus unlikely to decrease migration in the short run in its own right, supporting countries in achieving better economic and social trajectories is a far more promising way to decrease migration pressures from sub-Saharan Africa in the future.

Border walls and their likely effects

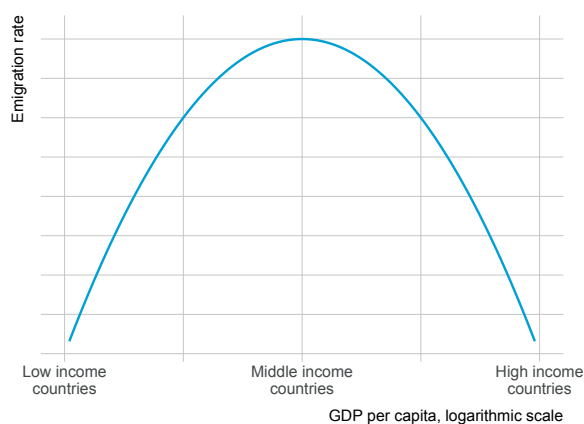
Recently, perhaps the most visual form of increasing migration costs for undocumented migrants – the building of walls and fences – has regained popularity among

policy makers in Europe and the United States alike. In 2015–16 several European borders were fortified or fences were about to be built at Calais and other borders: Hungary-Serbia, Hungary-Romania, Hungary-Croatia, Slovenia-Croatia, Austria-Slovenia, Austria-Italy, Macedonia-Greece, Latvia-Russia and Estonia-Russia (Cosgrave et al. 2016). At the same time, President Donald Trump is pursuing an extension of existing border walls and fences at the southern border of the U.S. For many, building a wall at the national borders is the most appealing way to curb illegal immigration, to regain control over entry, and to improve security. The universal rationale for building a physical wall is to avert the perceived and actual negative consequences of illegal immigration with respect to the economic and security concerns of nationals. At the very least this requires a border wall, which we will use as a placeholder for all similar obstacles in this section, as an effective way of stopping people from using a particular route, thus making assumptions that it is not easily crossed and is costly in terms of building, maintenance, and patrolling. Often, little thought goes into the effects such a border wall can have beyond reducing the absolute number of immigrants in the short term.

It has repeatedly been shown that even very strict immigration policy regimes cannot prevent migration if they are poorly implemented and not coordinated with other policies. Instead, very restrictive immigration policies rather change the path and composition of migration (Massey, Pren, and Durand 2016; Cosgrave et al. 2016). Building a wall will mostly affect sorting by diverting flows. Increasing barriers to migration on one route usually shifts the flow of migrants quickly toward the second-best entry route (Gilman 2008).

For a whole region such as the European Union to discourage someone from illegally crossing its border by putting up a wall, the financial and non-financial costs to potential migrants of crossing any section of the external border need to become prohibitively high. This will require large expenditures and effective implementation

Figure 4.3 Stylized hump-shaped relationship between emigration and GDP per capita



Source: Own graph based on empirical work such as Clemens 2014.

in each and every member state on the external border. Otherwise, the member state where the external border is easiest to cross will become the main entry point and fortifying borders will simply shift border crossings from one country to another.

Naturally, the physical fencing of sea borders is impossible. Yet, some sections of the external EU borders are so difficult for migrants to reach that these can be policed relatively easily. However, sea borders that are difficult to protect, for example the central Mediterranean or the Aegean Sea, require considerable investment and a coordinated approach. In these places, creating borders that are impassable for irregular immigrants will only succeed by coordinating with the governments of potential launch points of people smugglers' boats.

Making borders less permeable will also have an effect on the choice of **migration channels**. If there are ways of entering the destination country legally, these will come into higher demand. Yet, legal options are not available for most of those shut out by a border wall. If there are no legal options, there will be more overstayed visas as well as overt and covert illegal entries. Since many of those who would consider overstaying visas will never get one in the first place, building land-based walls is likely to further increase the attractiveness of the highly risky sea route.

Generally, the more difficult a border is to cross, the higher will be the share of the expected benefits of migration for the migrant that ends up with the people smugglers or traffickers who help the migrant cross the border. The higher the defenses, the more of the business of facilitating illegal border crossing will move from small scale people smugglers to organized crime. Thus, a successful coordinated policy approach not only requires investment in border protection and coordination with Neighborhood countries, but also a strategy to address serious criminal activity that may become more prevalent while border crossings decline.

What about self-selection? By closing off easy routes to enter the destination illegally there will be an increase in the migration cost and in the involved risk. This will make the particular destination less attractive. If the border and all alternative ways of entry were effectively closed, which is very difficult and expensive (e.g. Cosgrave et al. 2016), this would lead to a decrease in illegal immigration. If other destinations exist, the emigration rate of a country might not change much, though. There will only be an impact on the emigration rate if there are no other attractive or feasible destinations.

While self-selection may not be altered much, **sorting** most probably will. People who will still attempt the crossing of a newly reinforced border will be those with the highest expected benefits of crossing the border after considering all the involved expected costs and their alternatives. First, this group will consist of people overestimating the gains from reaching a particular country, i.e. especially those who are poorly informed. Illegal immigrants lacking information are unlikely to be a good fit with the destination country either economically or socially.

Second, this group will include those with actual high returns at the destination and, importantly, no better alternative. Given that illegal immigrants typically will not

receive a working permit, this restricts them to the informal sector. Work in the informal sector without any alternative to work in other countries that are easier to enter legally or illegally means that the person must have some country-specific skills or networks that facilitate finding informal work and will typically have a low education level. This in turn means that the share of migrants from already bilaterally important country origins and notably illegal family migration will play an important role. Among the remaining illegal immigrants, the relative weight of groups from countries from which a large diaspora with few outside options exists will thus increase. Those not discouraged by a wall will be more willing to take risks as well, altering the composition toward younger, male, and more desperate people. Especially refugees will be unlikely to be deterred but will take great risks, resulting in tragedies like the thousands who have drowned in the Mediterranean.

Without a reliable and sufficiently likely threat of being deported, however, crossing the wall in any possible way might still be considered a worthwhile investment. Only if the risk of deportation reduces the expected benefits of undocumented immigration sufficiently will aspiring migrants be discouraged from coming to a given destination country. The risk of deportation nonetheless comes with an immediate effect on sorting. For migrants who plan to settle in the destination country the possibility of deportation constitutes an enormous cost, while for migrants who rather look for short-term financial benefits through illegal or informal activities the expected benefits from migration may not be affected equally. Hence, while making a destination less attractive for the average migrant, such enforcement can have adverse side effects.

In the U.S., stepping up enforcement turned undocumented circular migrants from Mexico into a population of largely undocumented settled immigrants, without significantly reducing the likelihood of a first trip to the U.S. (Massey, Pren, and Durand 2016). The likelihood of return to the country of origin for current irregular immigrants falls because they will usually not run the risk of being unable to return to the US after a home visit. If there is no path to legalization, incentives prevail to keep separate from the host society rather than to integrate and risk deportation. This will reduce social cohesion and may lead to the emergence of problem groups made up of socially excluded, precarious outsiders who are locked-in in the destination country. If such a group is highly visible, and particularly if the group is associated with negative characteristics like high crime rates, this can have negative spillovers on legal immigrants from the same countries of origin or on other individuals whom poorly informed members of the majority population associate with the same group.

The act of building a wall will also have repercussions for the identity and perception of different groups in society. The implication of fencing off the outside world is that outsiders are a problem. This can worsen relations between the majority population and minorities, thus hampering the integration and assimilation of legal immigrants and creating divides between the majority population and second- or third-generation immigrants with some association with the same countries of origin. That could worsen integration outcomes. The building of walls also communi-

cates insiders' unwillingness to get involved with those beyond the wall. Especially for poorly informed migrants, the exclusion might even enhance the perception of desirability, further changing the mix of migrants.

A reduction in illegal border crossings due to a border wall will depend on effective implementation and coordination to shut down all alternative points of entry. As long as some entry routes remain open, border walls have been shown to fail their purpose of cutting illegal migration (Gilman 2008). Given the high estimated cost per illegal entry deterred, border walls are likely to be an inefficient use of money (e.g. Cosgrave et al. 2016). The reasons for this are manifold, involving not only legal and economic hurdles but also many practical issues involved in building and

maintaining physical barriers in difficult terrains. As irregular border crossings become more expensive due to a border wall, illegal entries will shift more and more towards overstayed visas, reliance on smugglers and traffickers, and migrants taking grave risks to reach their destination.

Thus, reducing the number of illegal border crossings by building walls is far more complex than it might appear and entails various financial and non-financial costs for migrants, destination countries, and societies at large. Considering all of these ramifications, physical border walls are likely to be ineffective in many contexts and prone to causing detrimental side effects. Other policy options may turn out to be considerably better deals if society wants to curtail illegal border crossings.

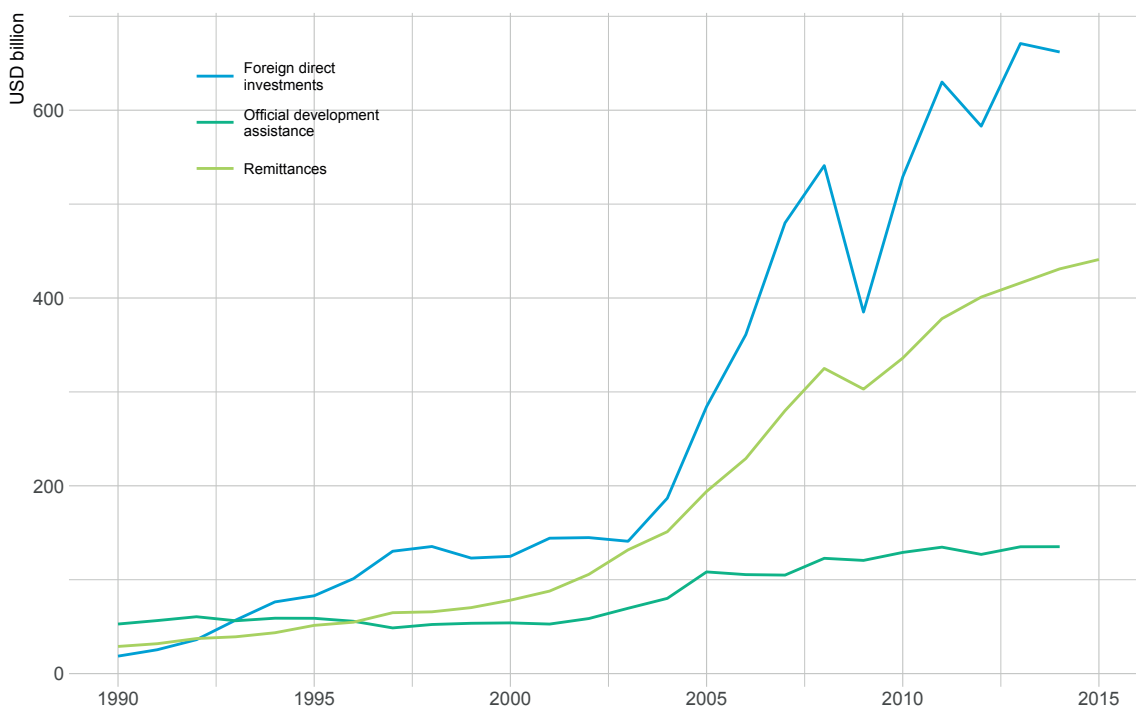
4.2 Can foreign aid affect migration decisions?

Lead authors: Mauro Lanati and Rainer Thiele

International migration is interconnected with other key aspects of globalization, such as international trade, foreign direct investment (FDI), and foreign aid. Migration policies cannot therefore be considered in isolation from trade policies, facilitation of FDI, and donor strategies. The aggregate flow of FDI to developing countries has

grown considerably since 2002 compared with ODA (see Figure 4.4). However, as clearly emerges from Figure 4.5, ODA still represents the most relevant source of income for the least developed countries (LDCs), as the ability of LDCs to attract flows other than ODA – despite the growth in private finance – remains very limited (OECD 2015).

Figure 4.4 FDI vs remittances and ODA flows



Source: Own elaboration based on World Bank 2016a (Migration and Remittances Factbook 2016: Third Edition. Washington, DC: World Bank) and OECD Development Assistance Committee (DAC) International Development Statistics (database).

This chapter provides an overview of the potential effects of foreign aid on international migration. The continuing importance of official development assistance (ODA) for a number of developing countries is not the only reason to focus on the aid-migration link. Unlike international trade and FDI, foreign aid is an area over which policy makers in OECD countries exert direct control, and is perhaps the most frequently mentioned policy option to affect migration decisions in destination countries (see section 4.1 for a detailed discussion of these decisions). The link between aid flows and migration is still relatively unexplored empirically. The fairly limited number of empirical studies on the aid-migration link is in stark contrast to the intensity of the current public debate in this area. As pointed out by Parsons and Winters (2014), the influence of ODA on migration flows “is an issue of some intrinsic interest, but its intellectual interest is dwarfed by its relevance to the policy debate over the last twenty years.” With the arrival of thousands of migrants on the southern European coasts, there is growing pressure on the European Commission and the most affected EU member states to find a quick way to effectively manage (and stem) the migration flows, and many see foreign aid as an essential part of the solution. Indeed, pledges to scale up aid to developing countries are now routinely accompanied by a statement that helping countries to develop gives their people an incentive to stay at home. In June 2015, for instance, the UK defense secretary declared that “*Britain needs to spend more of its budget on helping [to] stabilise countries so that it doesn’t have to ‘fish’ migrants out of the Mediterranean.*”¹ **But does foreign aid really help reduce migration flows?**

¹ See The Guardian, ‘Michael Fallon: UK aid budget should be used to discourage mass migration from Africa’, by Rowena Mason, June 21, 2015.

² The migration compacts currently being discussed at the EU level (see below) would constitute an exception.

³ Note that for the income channel to work aid only needs to raise disposable household incomes, but not economy-wide growth rates. Hence, the highly contentious debate on the aid-growth relationship (see, for example, Rajan and Subramanian 2008) is not touched upon here.

Indirect effects of aid on migration

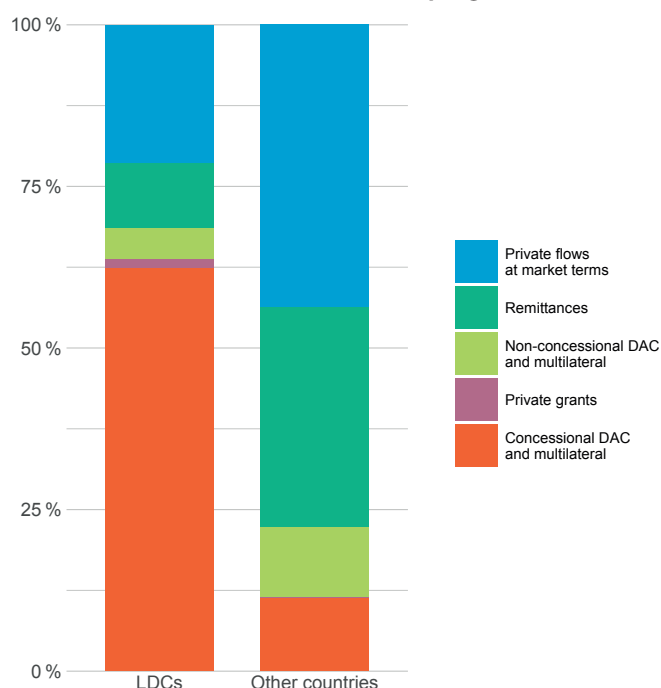
Theoretically, the impact of foreign aid on migration is subject to contrasting forces and its net effect is not clear cut a priori. In general, there is no direct link between aid and migration.² Aid is rather expected to affect the determinants of migration, most notably incomes in developing countries, the hypothesis being that aid raises disposable incomes and higher incomes in turn reduce emigration (**income channel**).³ Aid might also influence other determinants of migration, such as the creation of networks or the impact that additional wealth might have on financing migration costs for a larger share of the population in the countries of origin (**budgetary constraint channel**) (Parsons & Winters 2014). This transmission mechanism would point in the opposite direction of aid-induced rises in migrant outflows, as loosening budget constraints make migration more feasible. Combining the two channels gives rise to the hypothesis of a hump-shaped pattern of migration (see chapter 4.1), which implies that at very low levels of income per capita, growth spurs migration by allowing poor migrants to better afford the migration-related costs (the budgetary constraint channel dominates), whereas at higher levels of income per capita the income channel becomes more and more important relative to the budgetary constraint channel.

In the empirical literature, there appears to be some agreement that the effect of foreign aid on migration flows is positive, suggesting that the budgetary constraint channel of foreign aid dominates the income channel. Lucas (2005) regresses aid inflows on net outflows of migrants along with a few control variables, on a sample of 77 developing countries in the period 1995–2000. His results indicate a significantly positive relationship. Similarly, Faini and Venturini (1993) postulate that income growth may fail to stem emigration because it relaxes credit constraints, which tend to be especially binding in poorer contexts. They estimate some simple regressions using migration data for Greece, Portugal, Spain, and Turkey and find support for their hypothesis. Accordingly, they conclude that aid is not a reliable and useful instrument for controlling migration.

A more recent and influential cross-country study that investigates the aid-migration link is Berthélemy et al. (2009). In addition to the budgetary and income effects, they identify another channel through which aid may be associated with migration flows. Berthélemy et al. (2009) claim that the more intense is the bilateral relationship through aid policy implementation between country pairs, the lower is the information gap between the potential migrants in the recipient country and the donor country (**network channel**). The assumption is that this additional information reduces the transaction costs associated with the migration flow. Their cross-section estimates indicate that both bilateral aid and the recipient’s total aid have significantly positive impacts on migrant stocks. The network effect is shown to be particularly strong for skilled migrants, whereas unskilled migrants are more strongly encouraged by increases in total aid, which relaxes their budget constraints.

All these papers study the relationship between aggregate official aid and migration. Yet, the flows labelled as ODA are not alike and the effectiveness of aid is likely to depend on its type, the way it is delivered, and its target. The United Nations Development Programme (2011) stresses, for example, that foreign aid measured at the aggregate level encompasses large amounts of development aid, such as the costs of hosting migrants or the costs of educating foreign stu-

Figure 4.5 Composition of external finance in LDC and in other developing countries



Source: OECD 2015, based on OECD Development Assistance Committee (DAC) data and World Bank data on remittances.

dents, which never actually reaches developing countries and therefore has no discernible income effect. At a more conceptual level, various authors (e.g. Qian 2015; Bazzi et al. 2012) argue that the impact of aggregate ODA is difficult to interpret as it is composed of many different types of aid (debt relief, cash transfers, food, etc.) and each type of aid faces different measurement issues and, more importantly, each affects a different set of outcomes. With the adoption of the Millennium Development Goals, for example, the focus shifted from raising growth rates in recipient countries to improving social indicators, such as school enrollment (Thiele et al. 2007). Concerning the study of the aid-migration link, this conflation raises a number of problems, for instance that only some types of aid (e.g. aid for infrastructure) may lead to positive income effects and thus potentially reduce migration, while others (e.g. aid for primary education) are unlikely to raise income, at least in the short to medium run. The aggregate results are therefore of very limited use for policy makers, except that they caution against regarding foreign aid indiscriminately as an appropriate instrument to stem migration flows.

The need for shifting away from an aggregate analysis that does not account for the heterogeneous nature of foreign aid has been acknowledged for some time in the empirical aid literature. Bazzi et al. (2012), for example, disentangle aid components that potentially affect growth from those that are unlikely to do so in a cross-country study of the aid-growth relationship. To the best of our knowledge, the only study that applies a disaggregated approach to investigate the aid-migration link is by Moullan (2013), who examines the impact of foreign health aid on the emigration rates of physicians. Using panel data for 17 destination countries and 192 source countries over the period 1998–2005 and accounting for the endogeneity of foreign aid, he finds that the relationship between the two variables is significantly negative and large: a doubling of health-related aid reduces emigration of physicians by 70 percent. This implies that aid targeted at the health sector could be a potent weapon against the medical brain drain. The negative impact of health aid on emigration of physicians found in Moullan's study is in line with the concept of hump-shaped migration patterns. Physicians usually belong to the wealthier segments of the populations in migrant-sending countries and thus are unlikely to be subject to binding budget or liquidity constraints. At the same time, they directly benefit from any aid-induced improvements in their home countries' health services.

While a sectorally disaggregated analysis constitutes an important step towards arriving at meaningful policy conclusions, it still masks considerable heterogeneity. Taking the example of Moullan's study, it is likely to matter a lot for a physician's decision to emigrate or not whether aid for health is mainly spent on hospital equipment or whether it supports vaccination campaigns. Angelucci (2004) focuses on one specific intervention: she evaluates the impact of Progres, Mexico's conditional cash-transfer program, on the domestic and international migration decisions of the poor rural households targeted by the program. Progres comprises an unconditional nutrition-support grant as well as primary and secondary schooling subsidies that are conditional upon attendance in the last four years of primary school and the first three years of secondary school, respectively. Angelucci finds that the nutrition grant and the primary schooling subsidy raise international migration but not domestic migra-

tion, suggesting that it is mainly the costlier international trips that cannot be financed by credit-constrained poor households. By contrast, the grants for secondary schooling are associated with reduced international migration. This suggests that the condition provides an incentive for families to stay in Mexico, whereas in the case of primary schooling the condition does not matter because parents would in any case let their children finish primary school.

The general lesson to be learned from the available evidence is that the indirect impacts of foreign aid on migration flows are context-specific and can either be positive or negative. It therefore does not come as a surprise that governments interested in using aid as a means to regulate migration have tried to exploit more direct aid-migration links.

Aid directly targeting migration flows

National governments throughout Europe have long seen migration mainly as a phenomenon to be controlled (Gubert 2014). To this end, several European countries – including France, Germany, and the Netherlands – have implemented specific development aid programs with the purpose of creating incentives for migrants to return to their countries of origin. At the level of the EU, the so called **co-development** concept was formally endorsed at the European Council meeting in Tampere in 1999. The aim of this concept was to integrate immigration and development in a way that migration flows will benefit both the country of origin and the country of destination. There has been a huge discrepancy, however, between EU discourse and concrete actions towards the goal of making migration a real driver of development for the countries of origin (Gubert 2014). The EU's practical stance on co-development has largely revolved around the interests of destination countries, targeting development aid at those recipients willing to implement migration control measures and accept repatriations. In an empirical study on a large sample of country pairs composed of 22 donors and more than 150 recipients over the period 1993–2008, Bermeo and Leblang (2015) find that donors indeed use foreign aid to achieve their broader immigration goals, targeting migrant-sending areas to increase development and decrease the demand for entry into the donor country.

The approach of directly linking aid and migration has gained further momentum during the recent surge in the number of incoming migrants. Foreign aid is now explicitly utilized as part of a mix of policy measures by the EU in an attempt to stem irregular migration flows.⁴ More specifically, the EU has established partnerships with third countries in the form of **tailored compacts** “developed according to the situation and needs of each partner country, depending on whether they are a country of origin, country of transit or a country hosting many displaced persons” (European Commission 2016b). Box 4.3 illustrates the contents and the framework of these partnerships in more detail. In these compacts, foreign aid is used, on the one hand, as an incentive – along with other measures such as trade policies – to reward those countries willing to cooperate effectively with the EU on migration management and ensure there are consequences for those who refuse. This is a carrot and stick approach that aims at creating incentives to take action in tackling illegal emigration in the countries of origin. On the other hand, foreign aid is also seen as a long-term measure to help third countries' development in order to address the root causes of irregular migration and forced displacement.

⁴ Measures linking immigration policy to development assistance have recently been put in place by national governments. See for instance the partnership agreement with the French Ministry of Immigration, Integration, National Identity and Inclusive Development signed by the Agence Française de Développement.

⁵ See European Commission 2016d.

Box 4.3 Migration compacts

The EU introduced a new Migration Partnership Framework in June 2016. The main stated goal is to develop win-win relationships with the EU's partners to address the global challenges of migration and development. These new partnerships – or 'compacts' – with several key countries of origin and transit aim at mobilizing and focusing all EU and member states' tools and resources, with the multiple objectives of saving lives and breaking the business model of people smugglers, addressing illegal migration, and increasing cooperation on returns and readmission of irregular migrants, as well as fostering investment in partner countries. The **short-term measures** included in the partnerships are strictly focused on addressing the humanitarian emergency related to the recent migration crisis. This involves saving lives at sea and in the desert, tackling trafficking and smuggling, increasing returns of those who arrived illegally, and at the same time encouraging legal ways to Europe for those in need, with particular attention given to

the situation of refugees. The **long-term measures**, by contrast, are meant to address the root causes of irregular migration and forced displacement by supporting partner countries in their political, social, and economic development. In this context, the EU's foreign aid, which recently averaged €4.4 billion per year to the key priority countries, is seen as a key tool to improve opportunities for sustainable development. The compacts have a tailor-made approach, in the sense that all the elements included in each partnership combine different policy tools like development aid, trade, mobility, energy, security, and digital policy, which are suited and adjusted to each situation depending on the partner – whether a country of origin, transit, or host of a large migrant population. Overall, the plan of the new Partnership Framework is to make available nearly €8 billion over the next five years to support key third countries, and to closely coordinate the development assistance through joint efforts by the EU and its member states.

Source: European Commission 2016c (https://eeas.europa.eu/sites/eeas/files/factsheet_ec_format_migration_partnership_framework_update_2.pdf).

The European Commission reports that the first cooperation programs carried out with five priority countries of origin and transit in sub-Saharan Africa – Niger, Nigeria, Senegal, Mali, and Ethiopia – have started to yield tangible results. For instance, Niger has taken action to combat migrant smuggling and set up an institutional framework for managing the migration dialogue with the EU and its member states (European Commission 2016b). The positive preliminary results included in the first progress report of the Partnership Framework have been published only four months after the beginning of the cooperation agreements.⁵ This is of course way too early to critically assess the impact of the measures implemented, especially – by definition – those devoted to addressing the long-term objective of preventing migration flows through effective development cooperation.

While it has not yet been possible to rigorously test whether the EU may be able to achieve the goals it is pursuing with these compacts, several factors should caution against expectations that are too high. First, the developmental component of the strategy rests on the assumption that the income channel dominates the budgetary constraint channel, which probably does not hold for some of the very poor priority countries, such as Niger and Mali. Second, the previous empirical literature (e.g. Kilby and Dreher 2010) has shown that foreign aid is more likely to foster economic development in recipient countries if it is governed by developmental rather than political motives. Third, the track record of aid conditionality is fairly weak (e.g. Svensson 2003). Recipient countries have often been unwilling to implement the conditions imposed on them and donors have often refrained from withdrawing foreign aid in response to such behavior. This pattern, as observed for classical development assistance, may well carry over to the case of migration compacts. And finally,

going by the limited success of previous attempts to foster donor coordination (e.g. Nunnenkamp et al. 2013), it cannot be taken for granted that the EU and its member states will keep the promise to closely coordinate their efforts (Box 4.3).

Conclusion

Overall, the evidence on the relationship between foreign aid and migration so far is sketchy and therefore of rather limited use for providing policy advice. Even the transmission of aid impacts through the income and budgetary constraint channels, to which most empirical research refers, is less straightforward than might appear. Particularly in (mostly poor) recipient countries with weak governance structures, the bulk of aid may be captured by elites, never reaching the intended beneficiaries and thus leaving migration decisions unaffected.

The main challenge for obtaining reliable estimates of the causal impact of foreign aid on migration is the unclear direction of causality, which gives rise to biased results. This challenge is particularly obvious for migration compacts where development assistance plays a dual role and thus causality goes both ways: any observed increase in foreign aid may be a reward for successful actions in stemming irregular emigration from the countries of origin, but may as well be the cause of changes in migration flows. Up until now, the issue of reverse causality between migration and foreign aid has only been partially resolved. Improved data availability and increasing accuracy of the data on migration and foreign aid could lead to more reliable estimates from which to derive policy implications, for example by enabling researchers to employ larger sample sizes and to distinguish between regular and irregular migrants as well as refugees.

4.3 Cultural, social, and political remittances

Lead author: Alessandra Venturini

The link between migration and development in countries of origin has always been at the core of research and of policy making.

The role of financial remittances and the way they are used in developing economies has been carefully studied to understand the allocation of money sent home, which type of allocation provides the best returns on remittances for migrant families and for the local community, and how remittances favor growth and development. Monetary remittances also help spur financial literacy, which can transform workers into entrepreneurs and which favors development. They additionally contribute to changing the role of women in society because women frequently become the family's money manager and they acquire higher relative power within the family and society.

Monetary remittances can be reinforced by return migrants who bring back money and professional human capital. History has shown that the effects of both monetary and human capital remittances can be very positive for the country of origin but that the effects are strongly related to the level of economic and social development in the areas in question. According to Cerese (1967; 1974), in the 1960s and 1970s migrants returning from the U.S. to southern Italy were treated by their fellows as 'Americans' and were even cheated by extended family members. The local administration was unhelpful, sometimes hostile, and it was impossible to buy land and get permission to start up an activity. A very different experience met Italian migrants returning to their homes in the north east, where both the administration and the local productive system, which were much more dynamic than in the south of the peninsula, were taking advantage of returned financial and human capital. The narrative of migrants coming back from America and bringing with them a new way of life is described in many novels and films. They brought different clothes, different food and different modes of behavior. Women were more independent. Returning migrants became, in fact, agents of change⁶.

Reserachers have tried to better understand the effects of migration on the origin country. There has been an attempt to understand what makes a move successful, not just for the individual family, but for society as a whole. In addition to the monetary remittances migrants bring back other remittances that are more difficult to measure and quantify. When they return for holidays or when they come back for a longer period they bring with them foreign goods, yet also different values, culture, etc. The new model of lifestyle sometimes only lasts for a short time because migrants, after a while, return to their previous lifestyle. But as Cerese points out, it depends upon the receptivity of the community and the capacity of migrants to permeate it.

In the title of this section we refer to cultural, social, and political remittances to point out the broader dimensions

Box 4.4 Definition of social remittances

Peggy Lewitt (1998) coined the term "*social remittances*" to define the diffusion of ideas, values, beliefs, norms of behavior, practices, and social capital.

Since then social remittances have been understood as non-financial assets acquired as a result of migration and eventually transferred to others, usually the home regions of migrants.

of the concept and the areas where more research has been carried out.

Three conditions are necessary for the transfer: first, the migrant has to adopt different behavior and to understand and like the alternative way of organizing society that is prevalent in the destination country; second, he or she has to bring back home these differing ways of life; and third, the home society – meaning family, civil society, and institutions – has to be ready for a change. Grabowska et al. (2017) define the phases as acquisition, transfer, and outcomes, and finally their diffusion.

The first point is not automatic: the more the community in the destination country is open the more it is permeated by the destination country's values, while instead, the more it is closed, the more it tends to keep the values prevailing in the origin countries at the time of departure. Here it is enough to think of Little Italy or China Town in New York, which halted all cultural updates at the time of departure. More recently there has been empirical research on assimilation that demonstrates the negative role played by large communities on wages and on the probability of exiting from ethnic jobs.⁷

The last point, diffusion, is also an important component that should not be taken for granted. As Grabowska et al. (2017) note, the origin society can resist, imitate, or innovate.

The scale of change in the country of origin with respect to monetary remittances depends on three different factors: the size of the migrant population versus the local one; migrant characteristics versus the structure of the society by educational level and social class; and the duration of migration, be it temporary or permanent (OECD 2017).

Changes can also be worked by the diaspora abroad, which has many ways to keep in contact and to transfer innovative social behavior. The transnational space is at the center of symbolic exchanges that do not necessarily go together with financial and goods-and-services exchanges.

The society of the origin country, in general, receives a lot of diverse cultural stimuli from various sources. Con-

⁶ For a European analysis and a theoretical approach, see Grabowska et al. (2017).

⁷ See for instance Hatton and Leigh (2011) and Strom et al. (2013).

sider, for instance, the educational policies adopted by large countries or large religious communities that build schools or universities around the world. In this way they affect the educational models and values of faraway countries. Notable examples, just to name a few, are the global American universities, the Alliance Française, Spanish universities and the Goethe Institutes. In 2007 the European Commission proposed a European Agenda for Culture in a globalizing world favoring economic and social-political development.⁸ Again in 2015, the European Council⁹ asked the European Commission and the High Representative for Foreign Affairs and Security Policy to prepare “a strategic approach to culture in external relations” to pursue peace and multiculturalism. And “cultural diplomacy” has recently received the attention of the High Representative/Vice-President Federica Mogherini as a form of support and assistance that the EU can provide to third countries.¹⁰

Migrants, however, acting within the close and extended family play a very important role in opening up a society to new values, by gaining the trust of people who are difficult to reach and who anyhow might prove diffident about accepting novelties.

Sociological, anthropological, and economic research has looked a great deal at how migrants affect the values and culture of the origin country. Sociologists have focused on understanding the mechanism, the dynamics of the cultural transition, the reaction and the support for social innovation, while economists have attempted mainly to show that relationships exist and their causality. Although not a comprehensive survey, below we provide three examples of the effects of migration: the fertility decision within the migrants’ families at home in the origin country, women’s empowerment, and political remittances affecting home-country institutions.

Fertility

Cultural transfer can affect many spheres of individual and personal life. These include family life and the different values affecting consumption patterns, the roles played by women in the couple, the education of children, and also the fertility decision. In a broader perspective these dimensions will affect population growth, encourage the empowerment of women, and strengthen democratic values.

For a long time, the population transition, namely the link between very high fertility rates and the stationarity value (two children per woman), was studied, analyzing the effects of economic growth (Malthus effect), women’s education, age at marriage, and how these variables were also affected by migration.

In his 2007 paper, Fargues approached the link between migration and fertility directly and questioned the general view that migrants are potential agents of the diffusion of demographic modernity. He showed that this was only the result of recent migration from high to low birth-rate countries. By comparing fertility in Morocco, Turkey, and Egypt, he first correlated the evolution of fertility with the income dynamic and with women’s education, and then he focused on migration’s effect pointing out the differential in fertility rates in migrants’ destination countries. This varied from two in Europe to seven

Box 4.5 Fertility trend in Egypt

Philippe Fargues, in his pioneering work (1994; 1997) studied Egyptian fertility and its evolution according to the traditional driving factors: wealth, women’s education, and age at marriage. He also looked at the importance of different political regimes, which in the 1960s had already institutionalized fertility control. The correlation of the fertility rate with this policy – which started with the socialist regime of President Gamal Abdel Nasser (1952–70), but which also continued with the liberal regime of Anwar Sadat (1971–82) and with that of Hosni Mubarak (1982–2011) – seemed erratic and not even especially aligned with the model proposed in various political phases. The decrease of fertility under Nasser was reverted by an increase in fertility in the 1970s. This change was explained by the end of the war with Israel, the liberalization of the economy (which attracted foreign investment), and also by mass migration abroad, which had previously been forbidden. As the recession started in 1984, fertility declined but not as expected. Other social values acquired from abroad reinforced the norm of a large family and affected the decision to have more children. As shown in Figure 4.6, those Egyptian areas with more migrants to the Gulf countries had a higher fertility rate and were much more distant from the transition value.

in the Gulf countries (in 1980–95). He also noted how Moroccan and Turkish migrants went predominantly to Europe, while Egyptians went mainly to the Gulf.

By taking the remittance flows as a proxy for emigration and the strength of the link with home, he pointed to a different link between Moroccan, Turkish, and Egyptian fertility rates and migration, negative in the first case and positive in the second. Fargues did not assert a causal link between the two variables, but the mechanism seems very convincing and reinforces the idea that migrants adopt and send back the cultural values prevailing in their host country.

The model of fewer children but with a better quality of life, health, and more education is not particularly rooted in sending countries, thus sending countries are sensitive to the model their migrants encounter abroad. Migration to Europe has accelerated the reduction of birth rates in the Maghreb countries. The Egypt of the Infitah, on the other hand, with stronger Arab exchanges, has seen a more gradual decline. The story based on a rich knowledge of these countries is very convincing even if the test is only indirect.

Later Beine et al. (2008) built on this hypothesis using aggregate data for 208 countries on migration stocks and aggregate fertility rates. By instrumenting the emigration rate with a set of valid instrumental variables¹¹ they find support for the previous analyses that migration towards OECD countries contributes to demographic transition, while the opposite takes place with migration towards

⁸ See the European Commission’s (2007) Communication on a “European Agenda for Culture in a globalizing world”; see also the Council Conclusions on the promotion of cultural diversity and intercultural dialogue in external relations, Council of the European Union (2008).

⁹ Outcome of 3428 Council Meeting: Education Youth Culture and Sport, 23–4 Nov 2015 and see also 2014 EP Preparatory Action “Culture in EU external relations” <http://cultureinexternalrelations.eu/>.

¹⁰ On this subject, see the mimeo by Lanati and Venturini (2017) on “Imports of cultural goods and migration: An unexplored relation”.

¹¹ The instrument used a dummy variable for islands, the (log of the) size of the country measured by its surface (in squared kilometres) and (the log of the) distance to the main destination of the migrants.

countries with high income and fertility rates such as those found in the Gulf.

Bertoli and Marchetta (2015) point to another important difference between migration outflows: while the outflows to the Gulf countries are temporary by nature, because the countries of destination do not offer settlement opportunities or family reunification, migration to OECD countries is both temporary and permanent. For that reason, Bertoli and Marchetta analyze, with micro data, the effect of migrants returning to Egypt from the Gulf countries on the fertility rate. They find that families with return migrants from the Gulf have a higher fertility rate. To find a causal effect they checked for the non-random selection of migrants at migration, but they were unfortunately unable to isolate the mechanism for the transfer of norms.

In closing, there is a strong conviction and, indeed, evidence that fertility is affected by fertility norms imported from abroad by migrants. However, given the many channels of information that can affect the family decision, it is difficult to disentangle and to measure the specific effect of migration transfers although it seems very relevant.

Women's empowerment

The effect of the departure of the male breadwinner, since our earlier records of emigration, has conditioned the future development of the family. Women in many cases become responsible for money use in the household and become independent of their brothers and father. They are thus able to take decisions regarding their children, and their authority in society is growing. This does not imply the implementation of a new imported model, but just a change and a more egalitarian evolution in gender roles.

Women's emigration has increased their independence even more and in many cases women have become the family breadwinner.¹² Migration has also changed women's roles in the origin society. Its dynamic has been slow and in some cases they have been trapped in the patriarchal family without any independence. Indeed, for some women migrants going back has just been a return to the past, with limitations that are no longer acceptable or rational. For this reason, some of them have been reluctant to go back.¹³

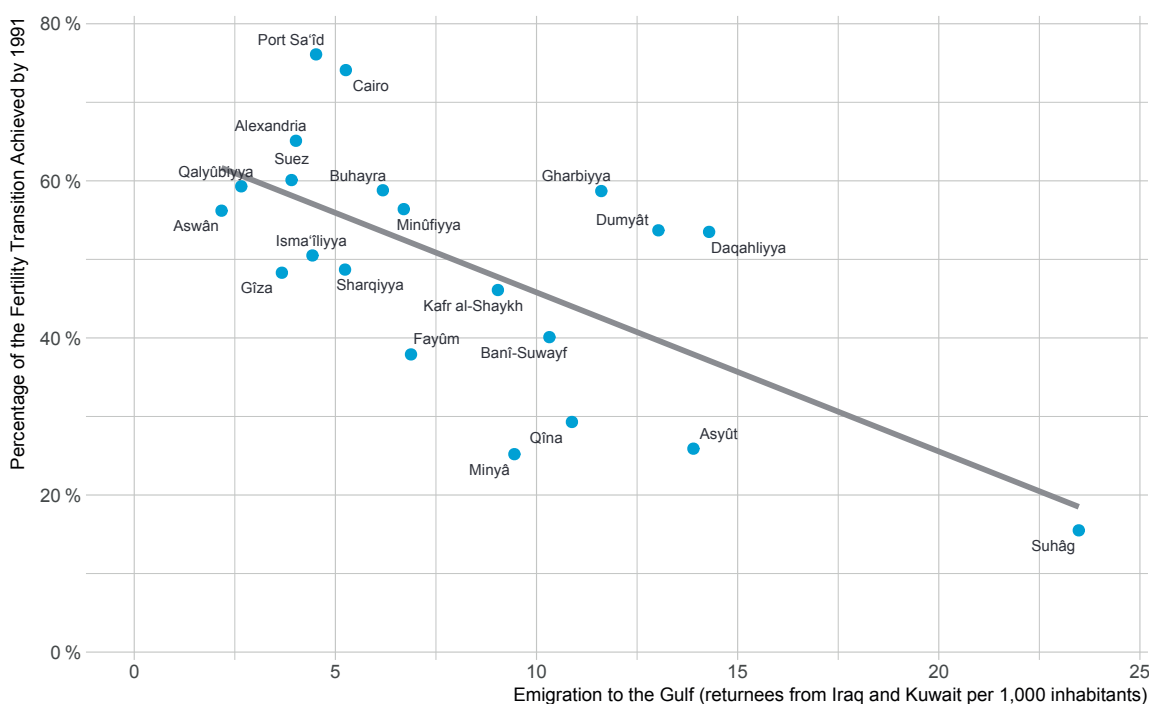
Migration and especially temporary migration transfers home new values and new ways of organizing the family and social life. Both Okolski (2012) for Poland and Sandu (2010) for Romania consider temporary migration one of most potent modernizing factors today, because they act directly at the individual level.

Grabowska and Engbersen (2016) analyze the effect of the values brought back by temporary Polish migrants by surveying empirical research into two phases of Polish emigration: one at the end of the 19th and the other in the early 20th century, as well as the most recent migration waves before and after EU enlargement. They structure the results in the Lewitt (2011) categories: normative structure, systems of practice, and social capital. They then argue that old migration brought back non-conformist attitudes, and a greater attention to individualistic autonomy that favored the emancipation of social roles, especially for women. Also the systems of practice gave less importance to religious practices and more importance to individual efforts and work achievement. This has introduced an alteration of family bonds with transnational families, the acceptance of a single status, and

¹² Of course, we do not consider trafficked women.

¹³ Iredale, Guo and Rozario (2003) note that when skilled women return home, they often face a range of problems. There is a disjuncture between their own aspirations as highly skilled and educated returnees and local gendered perceptions and modes of discrimination that inhibit their full economic, social, and political participation in their own communities and societies.

Figure 4.6 Emigration to the Gulf and the transition of fertility in Egypt at the time of the Gulf war, 1991



Source: Own elaboration based on Fargues 2007, p.175.

divorce. In more recent migration waves the revision of gender roles and family relations has continued. Women have gained more self-esteem and self-confidence. White's (2011) survey of Podkarpacie showed that when migrants returned from the U.K., those under 25 were less supportive of traditional gender roles; Western ideas, it was argued, reinforced a willingness to change gender roles, something already diffused among the better educated and the younger members of society.

The empowerment of women begins to occur when migration draws women from rural to urban areas (Hugo 2000), separating them from a family group. These migrants are engaged in employment outside the home in formal sector occupations, within the legal framework for an extended period. Empowerment is still more dramatic with their move abroad and reduces the intergenerational impact of the patriarchal structure within the family by resisting their identity as subordinate subjects.

A good deal of evidence from different cultural backgrounds exists: in the cases of Peruvian and Bolivian migration (Bastia and Busse 2011), Senegalese migration to France (Jettinger 2011), and even internal Chinese migration (Connelly et al. 2010), the distinction between the place of reproduction (family back home) and the place of production (foreign labor market) has changed women's childcare as provided in a patriarchal society. Women migrants also give priority to investment in health and education as revealed by Mexican (Pfeiffer and Taylor 2008) and Ghanaian experiences (Guzman et al. 2008), or at least more than men in these cases.

There is growing evidence of collective action and mobilization among migrant women in various parts of the world. This suggests that their empowerment has come from a combination of external impetus and internal transformation, and that they would like to transfer their empowerment home and into the political arena.

Two econometric studies – a broader one by Lodigiani and Salomone (2012) that covers 78 countries and a more country-specific study on Turkey by Akkoyunlu (2013) – try to find a causal link between international migration and women's seats in parliament. This is one of the two measures¹⁴ of women's empowerment used in the Gender Inequality Index by the United Nations in the Human Development Reports.

Lodigiani and Salomone use annual political data from Paxton et al. (2006), which provides very detailed yearly data on women's inclusion in parliamentary bodies. They take 78 countries for the period 1960–2000. Many technical solutions have been adopted to make the two datasets compatible with a traditional Heckman selection. The results confirm that there is a strong positive role for the migration index, namely the share of migrants weighted by the differential in women's seats in the destination countries versus origin countries. The results work with many alternate specifications and controls.

Akkoyunlu (2013) uses the number of women in parliament in Turkey, chosen as a gauge of women's empowerment, and looks at its evolution in terms of the emigration rate, the relative education of women to men, and democratic measures. Six decades of data, from 1960 until 2011, shows a strong positive effect for migration, which is stronger for migration to European countries and to core

OECD countries. Unfortunately, the question of endogeneity is not raised by the author.

All this research suggests that the effects of cultural, social, and political remittances brought back from migration by both men and women are very broad, but they are very difficult to measure given the direct and indirect effects of economic remittances.

Political remittances

The impact of migrants on the home country's political life has been studied by sociologists, anthropologists, and economists. Sociologists elucidate the complex relationship between the social infrastructure of transnational connections, remittances, and their political implications, while economists concentrate on the causality of the relationship.

All reach the same conclusion, namely that migration, by confronting individuals with new environments and novel institutional organizations, force a comparison with origin countries and affect political norms there. Migrants are very important transnational political actors. As some political scientists have pointed out, migrants are “*new and unaccounted power groups*” (Itzigsohn and Villacre 2008), a vector of mass-level democratization diffusion (Perez-Armendariz and Crow 2010). The relationship embedded in the democratization–migration nexus (Ruland et al. 2009), however, is more complex in terms of showing and disentangling it than that in the already complex development–migration nexus (Kapur 2010).

Pfütze (2012; 2014) claims that economic transfers have an effect on political outcomes. He argues that economic remittances contribute to increases in household incomes that “*make clientelism unambiguously more costly and, therefore, reduce turnout for the party engaging in clientelistic arrangements*”. In this way migration promotes the “*quality of democracy*” in the sending country. He uses Mexico as an example.

Migrants affect political behavior in the country of origin in many ways, by sending money and cultural goods, and with their different interpretation of everyday behavior. The challenge for researchers is to distinguish the specific impacts, in this case the remittances of democratic values and norms, which should stand apart, following Pfütze, from the monetary ones.

Depending on the institutional quality of the country of destination, the effect can be positive or negative: in all cases the perceptions of migrants will be different from the perceptions of non-migrants. Examples from very diverse areas come to the conclusion that migrants and return migrants are more critical and demanding in terms of rights, in Mali (Chauvet et al. 2016)¹⁵, Mexico (Perez-Armendariz and Crow 2010), the Philippines (Rother 2009) and Cape Verde (Batista and Vincente 2011).

In the past research focused only on the effect on developing countries' democratic systems. However, the end of the Cold War and the fall of the Berlin Wall has created an interesting area of research in countries closer to Western Europe, for instance Poland. Grabowska and Engbersen (2016) showed for Poland that, in the first migration waves at the beginning of the 19th century, migration helped in creating a secular social space. Here citizens assembled in non-religious spaces for the first time. Remittances from

¹⁴ The second measure is achievement in secondary and tertiary education.

¹⁵ See also Chauvet, L. and S. Mesple-Somps. 2014

migrants brought back the desire for a democratic society. Ahmadov and Sasse (2016) studied, for Poland, the effect of integration on political participation in the country of destination and involvement with the diaspora. By using a large dataset on the voting behavior of Poles living in U.K., but geographically dispersed in the country, along with interviews of Polish migrants in the U.K. and their families at home, they established that shorter stays were linked to higher electoral engagement, while longer stays were associated with lower electoral engagement. Therefore, integration in the country of destination results in less political involvement in the origin country. The local economic development and the size of the Polish community have a negative effect on political engagement for the first of these characteristics and a positive one for the second. Interviews reinforce the results and show the need for a more flexible understanding of political participation, which include the desire on the part of parents to root children in their Polish heritage. This probably has wider implications for research on the cultural dimension.

Economic researchers have also sought a causal link between democracy and migration remittances. The first paper at the macro level by Spilimbergo (2009) provided evidence that foreign-trained students promoted democracy at home if their foreign education was acquired in a democratic country. He does not identify the mechanism that spurs this effect, but many channels work in the acquisition of norms and values while abroad: access to foreign media, willingness to preserve foreign networks, etc. Finding the channel is even more difficult than identifying the effect, of course, because the data used do not distinguish between students returning home and those still abroad. Even if the evidence is considered convincing, the research has a limited control over endogeneity. There is the possibility that migrants who are more sensitive to democratic values move to more democratic countries and for that reason, transfer democratic values because they already support a more democratic regime. In a similar vein Mercier (2016) points to a positive correlation between political leaders who studied abroad in high-income OECD countries and the change in the score of democracy in their country during their tenure. Thus not only migration policy but also education policy can shape the democratic transition of countries and the two are intertwined.

The research at the aggregate level that tries, with most conviction, to find a causal relation between migration and democratic institutions is that by Docquier et al. (2016). They use four measures: political rights as well as civil liberty (Freedom House); economic freedom of the world (Simon Fraser Institute); and Polity 2 indicators (Polity IV Project). Their graph (Figure 4.7) shows an upward trend in the four institutional indicators and in emigration rates, and is very suggestive.

They have an unbalanced panel from 1980 to 2010, with seven observations for each country and a larger cross-section that includes OECD and non-OECD countries. The results, of both the cross-section (only for 2000) and those in the time series dimension, show a strong link between emigration rates and three democratic indicators that proxy de facto democracy. The last index, Polity IV, which proxies de jure democracy, is rarely significant. These

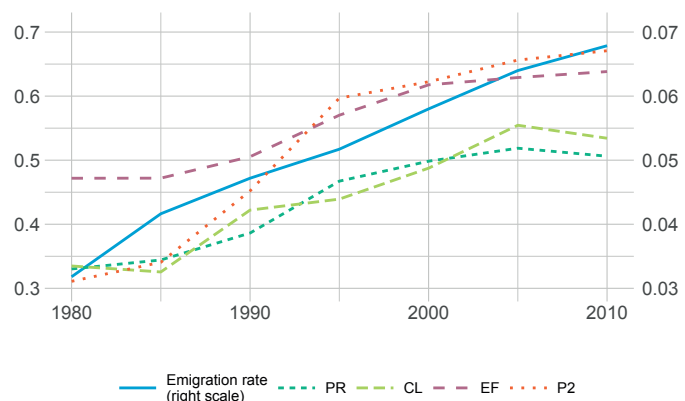
results, instead of weakening the interpretation of political remittances brought back by migrants, strengthen it because the de facto norms are the relevant ones for social well-being: the de jure norms, while important, are frequently outside the control of citizens, and therefore they are less relevant for the progress of social and civic life in the origin society. Also, the non-significant result for highly skilled migrants supports a transfer of everyday life norms that can be appreciated by citizens at all levels, and not just a transfer among the elites.

The last and very convincing contribution to this broad scenario is the Moldovan case study by Barsbai et al. (2016). They use the results of Moldovan elections at the regional level and find that the regions where emigration to Europe prevailed over emigration to Russia had lower votes for the former Communist Party.

Conclusion

This brief survey shows that migrants play a very important role in shaping the values of society in their countries of origin. These values affect many aspects of the lives of individuals, families, and society as a whole. It is very difficult to distinguish the role of the migrant from the role of the diaspora, which is likewise made up of migrants. It is also difficult to disentangle the role played by migrants from that played by government policies, for instance through cultural diplomacy activities, which are directed at the same objective. Still, it is clear that staying as a student or as a worker in more democratic countries, where women have more rights and thus a more independent role, has an effect upon the lifestyle of the foreigner and offers a different model of participation in society. For example, migrants see societies where women have more rights and hence more independence, which allows them to pursue education and employment and to have fewer children. These facts are too often disregarded in the debate on migration, whereas they should become an important feature in the integration strategy of asylum seekers in the host countries, given all the beneficial effects that can be transferred to their home countries.

Figure 4.7 Democracy and emigration rates over time, 1980-2010



Source: Docquier et al. 2016.

Recommendations: A comprehensive strategy to manage asylum and immigration in the EU

Lead author: Matthias Lücke

Throughout this Assessment Report, we have emphasized how the policy regimes for asylum, labor migration, and other forms of immigration (family unification, education) are inextricably linked. Short-term challenges arise due to the large recent inflow of asylum seekers, whereas long-term challenges relate to the uneven success, across and within EU member states, of current immigrants' economic and social integration. These challenges, combined, need to be understood against the back-

ground of conditions in migrants' countries of origin, labor market and education policies in EU member states, and the processes that drive public attitudes toward immigrants.

Our specific recommendations for actions should therefore be viewed, and critically debated, as part of a comprehensive strategy that involves interlocking elements covering the relevant policy areas. This is where we hope to start our dialogue with stakeholders at the EU and national levels.

Work with host countries toward partnerships for refugees: The international community covers the financial cost of hosting refugees, while host countries grant refugees a secure legal status, access to public services, and the right to work

The EU and its member states should do more to fulfil their moral and legal responsibility (under the 1951 Refugee Convention) to protect refugees worldwide. They should work toward partnerships for refugees with low- and middle-income host countries that involve increased financial support by the EU (and other donors) to offset the fiscal cost of hosting refugees, combined with a commitment by host countries to grant a secure legal status to refugees and promote their social and economic integration.

Addressing this responsibility involves a dual challenge. First, global funding for humanitarian assistance to refugees is unpredictable and often falls short of needs. The EU and its member states should contribute more and also allow the responsible UN entities (especially the United Nations High Commissioner for Refugees (UNHCR) and World Food Programme) more flexibility in the use of European funds. Adequate humanitarian assistance to refugees would help to ensure decent living conditions for refugees in their host countries and reduce incentives for secondary movements by refugees, including irregular migration to the EU.

Second, many refugee situations are protracted and refugees live in the host country for many years. Most refugees do not live in camps, but are dispersed among the local population. Therefore, they may compete with residents for limited public services and infrastructure, such as education, health care, housing, water, and sanitation. The EU and its member states should ensure that support for host countries is not limited to humanitarian assistance for refugees, but extends to development assistance for public investment so that the needs of refugees and residents can be provided for.

Participate in the resettlement of recognized refugees when countries of first asylum face large inflows of refugees

Financial burden sharing for hosting refugees goes a long way toward sharing responsibility for the protection of refugees equitably. However, when large numbers of refugees arrive in small host countries or refugees have special needs that cannot be met locally, there is a case for resettling refugees from countries of first asylum to more suitable host countries.

Such resettlement is typically organized for recognized refugees through UNHCR. EU member states should offer larger quotas for resettlement in line with their fiscal capacity and the absorptive capacity of their labor markets. As the number of asylum seekers who arrive directly in the EU has declined sharply since early 2016, some of the reception capacities that have been freed up could be used for orderly resettlement.

Explore the use of humanitarian visas for refugees with a prima facie case for international protection when there is no established resettlement scheme

Third-country resettlement works only if refugees are received by a country of first asylum and later selected for resettlement based on their vulnerability, typically under UNCHR auspices. Yet, not all persecuted individuals may be able to reach a safe country of first asylum. It would be helpful if such individuals could seek protection in EU member states while they are still in their home country or in a transit country – without having to travel to the EU irregularly, typically at considerable risk to their lives. While full asylum procedures cannot be conducted outside the EU, member states could issue humanitarian visas for those with a robust prima facie case for protection so they can travel to Europe safely and apply for asylum in the respective member state.

Both third-country resettlement and humanitarian visas for prima facie refugees would focus EU efforts on protecting the most vulnerable refugees and reduce the existing bias in the composition of asylum seekers in the EU toward those who are rich enough to pay people smugglers and physically strong enough to travel under arduous conditions.

Work with countries of origin and transit to curb irregular immigration to the EU by would-be labor migrants

Irregular immigrants to the EU from many countries of origin, including in West Africa, have only a slight chance of being recognized as refugees. Even so, many view an asylum application as their best chance of living and working in the EU. For most such would-be labor migrants, irregular travel to the EU is expensive and risky, particularly if they travel along the central Mediterranean migrant route through Libya. If they fail to obtain a legal status in the EU, they face the choice of returning to their home country (voluntarily or otherwise) and losing the money that they have invested in their migration, or remaining in the EU illegally, with irregular work and typically a precarious existence.

The EU and its member states should continue to work with countries of origin and transit to help them strengthen border security, combat people smuggling, and curb irregular migration. Access to objective information about travel risks and the lack of economic opportunities for irregular immigrants in Europe should be facilitated. Migrant support centers along major migrant routes may help migrants to return to their countries of origin voluntarily. Regarding the central Mediterranean migrant route, the focus should be on preventing irregular migrants from reaching Libya because of the dangerous conditions there. Partner country authorities may find it easier to cooperate with the EU in curbing irregular migration if EU member states simultaneously create opportunities for legal migration for individuals with adequate language skills and vocational qualifications (see below).

In the long run, design and implement an incentive-compatible, EU-wide regime for external border security, asylum, and the economic and social integration of refugees

Even if partnerships for refugees with host countries and cooperation with countries of origin and transit to curb irregular immigration are successful, some asylum seekers will continue to reach the external border of the EU. As long as there are no controls on the internal borders within the Schengen area, a comprehensive asylum system at the EU level is required that allocates responsibility for asylum-related policies to EU institutions and member states in an incentive-compatible manner. Otherwise, asylum seekers will seek to move to those EU member states that offer the most favorable conditions. At the same time, member states will have a strong incentive to worsen reception conditions for asylum seekers to the point where they are no longer attractive destinations. Such a race to the bottom would not be compatible with member states' international obligations or humanitarian standards generally.

The challenge of setting up a comprehensive asylum system at the EU level is complex because asylum-

related policies are interlinked, with large spillovers across different areas. For example, if too little effort and financial resources are put forward to ensure that refugees enjoy decent living conditions in their primary host countries, large secondary refugee movements may ensue (as from Turkey to Greece and further to other EU member states in late 2015 and early 2016). Similarly, if asylum procedures are superficial and acceptance rates high (or rejected asylum seekers are not deported because of the associated emotional and financial costs), incentives for irregular immigration will be strengthened and more irregular immigrants will likely require support with their economic and social integration in the host country.

The present 'Dublin' system places most responsibility for receiving asylum seekers and hosting refugees with the EU member state of first arrival. There is little financial burden sharing and the existing schemes for redistributing asylum seekers among member states are not functional. This approach is not compatible with the principle of intra-EU solidarity – nor, incidentally, with the principle of international responsibility sharing that we emphasize at the global level (see above). Even so, the Dublin system is largely incentive-compatible as long as there is (at least) a credible threat that intra-Schengen borders will be closed to asylum seekers, should countries of first arrival try to 'wave on' new arrivals instead of registering them and processing their claims.

Proposals by the European Commission to enforce more responsibility sharing by member states have been unsuccessful largely because they are neither comprehensive nor incentive-compatible. For example, the proposed scheme to redistribute asylum seekers among member states would imply an open-ended commitment by 'inland' member states to receive most arriving asylum seekers. While this approach would in principle be equitable, inland member states may be concerned that they have little effective control over whether 'enough' effort is made to limit irregular immigration by working with neighborhood countries to secure the external EU border or to combat people-smuggling. At the same time, member states on the external border may be tempted to reduce their efforts in the field of border security because the benefits – in terms of receiving and hosting fewer asylum seekers – would flow mostly to inland member states. Very likely, a much larger EU role in border security, funding the hosting of refugees by member states (and additional revenue for the EU – see below) would be required to render a mandatory redistribution scheme workable.

As we have argued with respect to the global governance of refugee protection (see above), sharing the financial burden of receiving asylum seekers and hosting refugees would go a long way toward equitable responsibility sharing. Financial burden sharing is particularly relevant in the context of the multilevel governance system constituted by the EU and its member states ('fiscal federalism'): the implementation of policy interventions may be delegated to the regional units that are most suitable for a particular task (for example, member states on the external border in the case of border security), whereas the financial burden is borne by all member states (and their tax-paying populations) according to their ability to pay (gross contributions to the EU budget are approximately proportional to member states' total GDP).

It seems clear that a comprehensive EU asylum system will involve the EU institutions not only in setting the ground rules, but also in funding asylum-related policies on a much larger scale and in implementing selected policies on the ground to assure the quality of service delivery. The spillovers across different policies as well as the public good nature of many asylum-related expenditures call for centralized financing and control over implementation: from helping to protect refugees outside the EU to securing and managing the external EU border, search and rescue missions in the Mediterranean, receiving asylum seekers and processing applications, and supporting the economic and social integration of recognized refugees.

The additional tasks to be taken on by the EU inevitably require additional revenue, which, in turn, will require a unanimous decision by EU member states. Therefore, a consensus among EU member states is necessary for a comprehensive reform of the asylum system, making it a long-term proposition. In the short to medium run, the EU and member state authorities should emphasize more modest reforms that can be implemented within the existing EU budget and through voluntary contributions by member states in different areas.

In the short to medium run, share financial and logistical responsibilities for asylum-related policies more equitably among EU member states and establish monitoring and peer review of member state contributions

Individual member states already contribute voluntarily to many tasks that would ideally be centralized at the EU level. Significant progress can be made by increasing such voluntary contributions and coordinating more effectively among member states. For example, individual member states already participate in humanitarian assistance to refugees through UN organizations for their own (presumably, in part, altruistic) reasons. The necessary increase in funding at the global level (see above) may initially come from higher contributions from member state budgets, without necessarily involving the EU.

Another example of a member state helping to head off a potentially challenging refugee situation is Poland offering employment opportunities to many Ukrainian labor migrants, who might otherwise seek to escape civil war and economic deprivation at home by seeking protection in Western Europe. While not directly comparable, both humanitarian assistance and liberal access to employment opportunities are important contributions to helping individuals affected by persecution and violence. It would be helpful for EU member states to set up a process of monitoring and peer review that acknowledges such different contributions while encouraging member states to further increase their contributions in response to where the need is greatest and in a manner that is politically feasible, given the circumstances of each country.

While a mandatory reallocation of asylum seekers among member states has proved impossible to implement effectively (see above), there is a strong case for more financial and logistical burden sharing with those member states where asylum seekers first arrive. In particular, it would be useful to extend the current ‘hotspot’ approach to include EU-managed reception centers in member states on the external border where asylum seekers would remain until a decision is made on their application. The

cost of operating hotspots could be borne by the EU budget or through voluntary contributions by inland member states that could also provide personnel and logistical support to help process asylum claims.

Asylum seekers would be registered at hotspots and could be returned there if they chose to move on to other member states. Hence, there would be no need to prevent secondary movements of asylum seekers by closing the Schengen area internal borders. Asylum seekers without valid claims for protection would be returned to their countries of origin from the hotspots. This would be particularly important on the central Mediterranean migrant route, where most asylum seekers are not recognized as refugees.

In the current political climate, any effective resettlement of refugees – from EU member states on the external border to inland member states or from third countries to EU member states – will likely have to be voluntary. This need not prevent a more equitable sharing of responsibility among EU member states: more support for non-EU countries that host refugees and cooperation with neighborhood countries to curb irregular immigration into the EU will ensure that the number of recognized refugees in the EU remains low. If they cannot be hosted by the member states of first arrival, the hotspot approach should give other member states confidence that protection has been granted and the individuals have been vetted in line with EU regulations. The proposed monitoring and peer review of member states’ contributions to protecting refugees would be a suitable forum for inland member states to volunteer quotas for intra-EU resettlement of such refugees.

Expand opportunities for legal labor migration to EU member states from third countries

While working to close the ‘back door’ of irregular immigration into the EU, EU member states should further open the ‘front door’ of legal labor migration by creating more legal employment opportunities for non-EU citizens. This would be in addition to opening the front door by resettling some refugees from non-EU countries in EU member states. Migration to the labor market (rather than the welfare state) typically benefits not only immigrants through higher incomes than at home, but also countries of origin through financial and other remittances. By contrast, the economic impact on host country residents is usually small – mostly positive on aggregate, but negative for those workers who compete directly with immigrants. Such legitimate distributional concerns may be addressed through targeted immigration policies and, more broadly, through policies that promote economic and social inclusion for those affected by economic or technological change.

Beyond providing economic benefits to migrants and (through remittances) to their countries of origin, legal employment opportunities in the EU would also become an important element of the policy frameworks with the countries of origin and transit that are necessary to curb irregular migration to the EU. Political support for such agreements on the part of the country-of-origin governments and populations cannot be taken for granted. By offering significant legal employment opportunities, EU member states would signal their interest in constructively managing migration, rather than merely shutting out irregular immigrants.

Opportunities for legal immigration in the EU already exist for many high-income individuals, typically with tertiary education. Efforts to expand legal immigration could usefully focus on individuals with sufficient language and vocational skills to succeed in the labor markets of EU member states. To avoid a brain drain on the countries of origin, vocational training may be set up by EU member states in countries of origin where skills are taught that are useful both at home and abroad. Typically, some trainees will remain in their countries of origin where their new skills will increase the skill level of the workforce.

In the EU, labor migration from non-EU countries is a competency of the member states. Therefore, each member state would decide individually what employment opportunities to offer to non-EU citizens, what language and vocational skills to require so that immigrants do not become a fiscal burden or residents suffer undue competition in the labor market, what training opportunities to offer in potential migrants' countries of origin, etc. Member states will want to consider their overall labor market situation and skill shortages as well as possible distributional effects. What would be crucial is for member states together to offer a package that creates strong incentives for potential emigrants in developing countries to invest in their language and vocational skills, rather than in irregular migration.

A related question is whether asylum seekers whose applications have been rejected should be allowed to 'change track' and remain in the destination country if they are well integrated into the labor market. The possibility of such a track change would be a strong incentive for all asylum seekers to invest in destination-specific human capital right from the start, maximizing their chances of successful labor market integration. At present, many are held back because their legal status in the destination country remains uncertain for several years, resulting in lost opportunities. At the same time, if unsuccessful asylum seekers enjoy privileged access to the labor market relative to other non-EU citizens, that may create undesirable incentives for more irregular immigration. Navigating that trade-off may require EU member states to find pragmatic humanitarian solutions for those already in the country for a prolonged period, without creating a firm expectation of labor market access on which potential irregular migrants could base a migration decision.

Address long-standing shortcomings in immigrant integration to promote social inclusion while facilitating the labor market integration of recently arrived refugees

Across the EU, the economic and social integration of immigrants who have arrived here during the last half century is quite uneven. Overall, employment rates are broadly similar to those of local workers for male immigrants, who typically arrive as legal labor migrants, but substantially lower for female immigrants who often come to the EU through family unification. Refugees – who come in search of protection rather than in response to labor demand – take much longer to find employment. Unemployment is higher for immigrants than for local workers, especially among refugees and immigrants through family unification, whereas incomes tend to be lower. Thus, some immigrant groups are at risk of social exclusion, with detrimental consequences for their well-being and that of future generations.

Integration policy faces the dual challenge of reducing social exclusion among immigrants (and others) who are already in the EU, and promoting the economic integration of newly arriving immigrants to prevent further social exclusion. Large investment in labor market integration and education for immigrants (along with other individuals at risk of social exclusion) will be required, with a particular focus on recent refugees. While some EU member states already employ a plethora of labor market interventions, the multitude of programs and lack of coordination can be overwhelming, particularly for recent immigrants unfamiliar with the local language and institutional environment. Personalized guidance and counseling have a key role to play in enabling immigrants to navigate the system and to reduce matching frictions when they (finally) search for a job.

Work with European society at large to sustain a political culture centered on respectful debate and evidence-based policy-making

Finally, public attitudes toward immigrants and immigration are not only important drivers of immigration policies in European democracies, but also, indirectly, affect integration outcomes. When immigrants perceive a large proportion of the host population as hostile, they are likely to reduce their destination-specific investment and efforts toward integration. Thus, negative attitudes may translate directly into worse integration outcomes.

Many individuals in the host population who are skeptical toward immigration are not primarily concerned about how their own real incomes will be affected by additional immigration, but by a perceived risk of a negative effect on their peer group – with the peer group defined by ethnicity rather than, say, commitment to civic values. In addition, anti-immigration attitudes may be hardened by the absence of positive contact with immigrants, polarized political debates, particularly in the 'echo chambers' of social media, and media coverage that stigmatizes immigrants as an out-group. Conversely, positive contact, respectful political debate, and objective media coverage promote more balanced views.

Among European citizens, a negative attitude toward immigration often coincides with a negative attitude toward European integration. This observation highlights many citizens' ethnicity-based identities as well as their desire to see their own ethnic group 'in control'. Hate crimes against immigrants have soared not only in high-immigration Germany and Sweden, but also in the post-Brexit U.K.

Increasingly, relevant civil society actors will need to stand together and uphold democratic principles and civic values to safeguard an undistorted political process and public debate about contentious issues, including asylum and migration policies. In this context, we believe that experts (including MEDAM researchers) can usefully contribute by providing unbiased information and analysis.

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About MEDAM

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Research partners are the Kiel Institute for the World Economy (IfW), the Migration Policy Centre (MPC) at the European University Institute (EUI) in Florence and the Centre for European Policy Studies (CEPS), a think tank in Brussels.

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