

# **Labour Market Integration: A Comparative Socio-Economic Analysis of Forced and Voluntary Migrants**

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*Extended Abstract*

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## **Short Abstract:**

Recently, a growing number of migrants have come to Germany, and the rate of asylum seekers in particular has risen sharply. Developing effective and efficient labour market integration poses, therefore, a real challenge both for migrants themselves and the German society.

This paper contributes to the on-going academic debate on labour market integration and provides empirical findings that promote a rethinking of existed migration and labour market policies. In particular, the paper investigates the existence of an ‘integration and outcome gap’ for voluntary and forced migrants in the German labour market. Based on the German Socio-Economic Panel, the likelihood of being employed and in skilled occupation is predicted for migrants and refugees in comparison to Germans and to each other. Following that, differences in average hourly wages are calculated and partly explained through the Oaxaca-Blinder decomposition technique. The results show the existence of a gap between native population and migrants (forced and voluntary), most of which can be explained through differences in human capital endowment, such as educational attainment. However, in the case of migrants vs. refugees, in addition to specific characteristics of migration and human capital, a significant part of the remaining gap may be linked to the particularities of forced migration and the situation of refugees in Germany.

Intending to help close existing research gap in migration economics, especially from the perspective of forced migration, this paper raises new questions for further economic and political research to be addressed in a European and global context.

## Extended Abstract:

### INTRODUCTION AND LITERATURE REVIEW

Since 2013, a growing number of migrants has reached Germany. Accordingly, the rate of asylum applications among newly arrived migrants has risen sharply. Facing the task to investigate the integration of migrants in their host countries, researchers and policy makers have recognised that social and cultural integration processes rely decisively on successful labour market integration<sup>1</sup>.

On the one hand, Germany is not lacking experience with economic migration, and the German economy is currently in excellent shape, benefitting from favourable cyclical conditions and a robust labour market<sup>2</sup>. On the other hand, there is a relatively high unemployment rate and dependence on welfare transfers among migrants<sup>3</sup> – especially refugees<sup>4</sup> – as well as a persistently high number of unfilled jobs in many areas of the German labour market<sup>5</sup>. This indicates that Germany's current labour market integration policy is still far from a Pareto Optimum.

In the field of economics, and labour market economics in particular, many studies have shown that migrants (in the broad sense of the term) perform significantly worse than natives regarding labour market participation and outcome: They are more often unemployed, and if they are employed, they tend to be in relatively low-paid and/or low-skilled labour<sup>6</sup>. Refugees do not obtain better results. On the contrary, studies conducted in different countries with an immigration history point out that refugees are meeting particularly great obstacles in terms of economic integration. These may vary depending on the time of the study, as well as on the host country and particular group of refugees in question<sup>7</sup>. Whether refugees' labour market performance should be seen as equivalent<sup>8</sup> to or worse<sup>9</sup> than that of other migrant groups, is

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<sup>1</sup> cf. Degler et al. 2017

<sup>2</sup> See Fuchs et al. 2018.

<sup>3</sup> See Heath and Cheung 2007; Ballarino and Panichella 2015; Auer et al. 2017; Gorodzeisky and Semyonov 2017.

<sup>4</sup> See Cortes 2004; Connor 2010; Bevelander 2016; Åslund 2017; Bakker et al. 2017; Sarvimäki 2017; Schultz-Nielsen 2017; Fasani et al. 2018.

<sup>5</sup> See Bossler et al. 2018.

<sup>6</sup> See Heath and Cheung 2007; Ballarino and Panichella 2015; Auer et al. 2017; Gorodzeisky and Semyonov 2017; Koopmans 2016.

<sup>7</sup> For the US, see Waxman 2001; Connor 2010. For Canada, see Krahn et al. 2000; DeVoretz et al. 2004; Bevelander and Pendakur 2012. For Europe, see Bevelander and Pendakur 2009; Hartog and Zorlu 2009; Allsopp et al. 2014; Pietka-Nykaza 2015; Foged and Peri 2016; Sarvimäki 2017. For Germany, see Bauer 2015; Brücker et al. 2015; Brücker et al. 2019; Kiziak et al. 2019.

<sup>8</sup> See DeVoretz et al. 2004.

still being debated. Nevertheless, evidence from both North America and selected European countries also indicates that refugees' large initial labour market disadvantage tends to shrink over time<sup>10</sup>.

Generally speaking, at a time when, according to recent UN estimates, more than 70 million people worldwide are displaced, more research is needed to distinguish between the particularities of different migrant groups. To establish effective and efficient labour market integration policies for all, their respective input, as well as outcome factors, need to be studied and considered more thoroughly. The present paper aims to help close the existing research gaps, focusing on the highly topical example of present-day Germany. It examines labour market integration determinants of migrants and compares them with those of the native population. In particular, the study empirically investigates the existence of an 'integration and outcome gap' for migrants in the German labour market. Taking into account recent immigration movements to Germany, a distinction is made between voluntary (non-refugees) and forced migrants (refugees). The labour market integration of migrants in Germany is examined through the following research questions:

- A. How do the socio-economic characteristics of refugees, as forced migrants, differ from those of other (voluntary) migrants?
- B. Are there any differences in the labour market integration of refugees in Germany in comparison to 'economic migrants'? If so, how could these differences be explained? And what are the underlying factors?

## **DATA AND METHODS**

The study is based on the German Socio-Economic Panel (G-SOEP), a nationally representative longitudinal sample which contains an expanded range of socio-demographic micro data, as well as occupational biographical records. The sample of this study is limited to the survey year 2017; It considers only people of working age, i.e. individuals aged between 18 and 65. Three sub-population groups have been defined: A. Natives: Individuals in this group were born in Germany and have neither a direct nor an indirect migration background. B. Migrants: Individuals allotted to this group were born abroad and have voluntarily migrated to Germany after 1950. They have a direct migration background, but do not hold (and have not held) a refugee status. C. Refugees: All members of this group were born

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<sup>9</sup> See Cortes 2004; Connor 2010; Bevelander and Pendakur 2012; Bevelander 2016; Åslund 2017; Bakker et al. 2017; Schultz-Nielsen 2017; Fasani et al. 2018.

<sup>10</sup> See Cortes 2004; Bevelander and Pendakur 2014; Bakker et al. 2017; Ruiz and Vargas-Silva 2017; Fasani et al. 2018.

abroad and have migrated to Germany after 1950 as refugees in the sense of the Geneva conventions. This includes refugees from past crises, such as the 1990s Balkan wars, as well as more recent flight migration to Germany from countries such as Syria, Afghanistan, Iraq, Eritrea and Somalia. The resulting sample contains (32,440) observations, covering both sexes (51% female and 49% male), as well as three types of sub-groups according to their respective migration background (66% natives, 14% migrants and 20% refugees).

Labour market integration is operationalized on the basis of 3 dependent variables: employment status (employability), occupational status (skilled occupation) and hourly wage. As a first step, the predictors of employability and skilled occupation are examined. The likelihood of being in regular employment and being in skilled occupation is predicted for migrants and refugees in comparison to German natives, as well as in comparison to each other. Following that, differences in average hourly wages are calculated and partly explained with the help of the Oaxaca-Blinder decomposition technique. Demographic, human capital and migration characteristics have been used here as explanatory variables.

## **MAIN RESULTS**

On the basis of the regressions' results, it could be concluded that:

1- In the case of Natives / Migrants: Regarding the employability gap between German natives and migrants (including refugees), differences in educational attainment can be regarded as the most important explanatory variable. As far as skilled labour is concerned, educational attainment seems crucial as well. Examining differences in skilled occupation outcome, being in a job equivalent to one's learned profession plays, however, an even greater role. Lastly, regarding income differentials between German natives and migrants, the above-mentioned demographic (gender, children, place of residence) and human capital factors (education, work experience, matching jobs) account for the most important part of the gap.

2- In the case of Migrants / Refugees: Since the present study has made a distinction between refugees and non-refugees, disadvantages for forced migrants vis-à-vis voluntary migrant groups are pointed out. Generally speaking, after the inclusion of migration variables into the regressions, human capital characteristics (e.g. language skills, education, vocational training and being in an occupation that matches one's learned profession) allow to explain large parts of the migrants / refugees gap. A significant part of the remaining gap might, however, relate to particularities of forced migration and the situation of refugees in Germany. The present study has shown that there is still room for improvement regarding the labour market

participation of migrants in Germany. Labour market integration policies should pay more attention to the heterogeneity among different migrant groups and, eventually, even within the group of refugees themselves. Taking the particularities of each group into account helps migrants perform to their potential and increase their individual labour market outcome.

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