

# Integrating refugees into labor markets

Economic integration of refugees into their host country is important and benefits both parties

Keywords: immigration, refugees, asylum, economic integration, resettlement

## ELEVATOR PITCH

Refugee migration has increased considerably since the Second World War, and amounts to more than 50 million refugees. Only a minority of these refugees seek asylum, and even fewer resettle in developed countries. At the same time, politicians, the media, and the public are worried about a lack of economic integration. Refugees start at a lower employment and income level, but subsequently “catch up” to the level of family unification migrants. However, both refugees and family migrants do not “catch up” to the economic integration levels of labor migrants. A faster integration process would significantly benefit refugees and their new host countries.

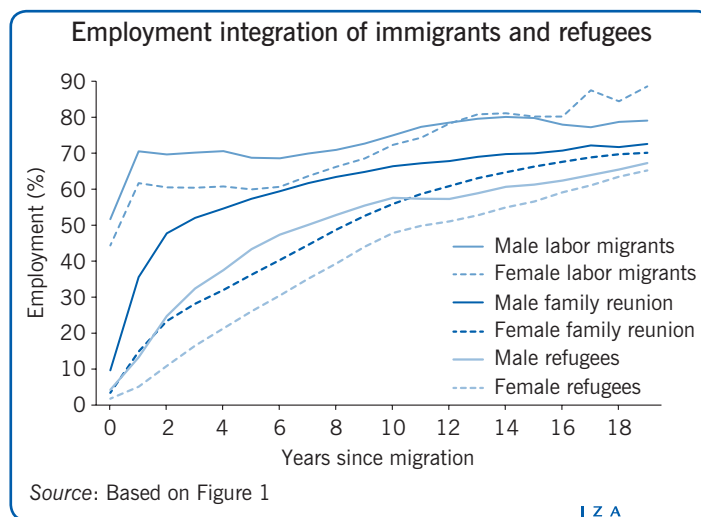
## KEY FINDINGS

### Pros

- + Refugees start at a lower employment level upon arrival in host countries but subsequently “catch up,” economically, with family reunion migrants.
- + Internal migration (i.e. within the host country) of immigrants in general, and of refugees in particular, is an important factor for obtaining employment.
- + Similar labor market results (e.g. employment and income levels) are obtained for male and female immigrants in a number of different countries.
- + Results from current research seem robust, since comparable outcomes are obtained when investigating various national labor markets.

### Cons

- Refugees integrate more slowly into host countries’ labor markets compared to labor migrants, due to not being primarily selected for host country labor markets.
- Loss and depreciation of human capital and credentials during asylum procedures and lower health levels hinder refugees’ integration.
- Introduction and settlement policies do not adequately help refugees attempting to integrate into the host’s labor market; this contributes to their poorer economic performance, particularly in the first few years after arrival.
- Refugees’ less effective adaptation to the host country’s labor market leads to increased individual and societal costs.



## AUTHOR’S MAIN MESSAGE

Refugees have often lower employment rates and income levels than family reunion migrants and labor migrants, but over time this gap diminishes or disappears altogether. Non-selection for the labor market, depreciation of human capital and credentials due to the asylum and skill accreditation processes, as well as inferior health levels are important reasons for the slower adaptation process. Given the current and future increasing inflow of refugees into developed welfare states and to diminish individual and societal costs, more in-depth knowledge about the integration of refugees into a host country’s labor market, including policy evaluation, should be prioritized.

## MOTIVATION

According to the United Nations High Commissioner for Refugees (UNHCR), the number of refugees on the move, that is, forcibly displaced persons, has crossed the 70 million mark, roughly the population of the UK. Civil war, international conflicts, ethnic conflicts, and human rights abuses are the main causes of this movement. UNHCR also estimates that approximately half of all refugees are found in urban areas, one-third in camps, and the rest in the countryside. Moreover, 84% live in developing countries. Among these, UNHCR has identified one million individuals as displaced.

### Understanding refugee and immigrant status

*Refugee:* A person who, owing to well-founded fear of persecution for reasons of race, religion, nationality, political opinion, or membership of a particular social group, is outside their country of nationality (or, in the case of stateless persons, the country of former habitual residence) and is unable or, owing to such fear, unwilling to avail themselves of the protection of that country.

*Resettlement:* The selection and transfer of refugees from a state in which they have sought protection to a third state which has agreed to admit them—as refugees—with permanent residence status. The status provided should ensure protection against *refoulement* (i.e. return to a state where they may be persecuted) and provide a resettled refugee and his/her family or dependents with access to civil, political, economic, social, and cultural rights similar to those enjoyed by nationals. It should also carry with it the opportunity to eventually become a naturalized citizen of the resettlement country.

*Family reunion migration:* The entry into and residence in another state by an individual for the purpose of (re)uniting with that person's family in the new country.

*Labor migration:* Movement of persons from one state to another, or within their own country of residence, for the purpose of employment.

*Source:* European Migration Network. *Asylum and Migration Glossary 3.0*. Brussels: European Commission, 2014.

Only a small portion of the world's refugees has managed to seek asylum in developed countries and find some kind of sanctuary. Although the number of people needing protection has increased dramatically, the current asylum system has become controversial in Western countries, spurring a heated political debate. Two related questions have fuelled this debate. The first question is: how can potential refugees seek asylum in a humanitarian and safe way? The second is connected to the host societies: to what extent do they want or are they able to welcome newcomers, offer them protection, and subsequently integrate them into society? The second question is examined in more detail in the following, as it deals specifically with the labor market integration of refugees in host countries. The labor market integration of immigrants has been a subject of academic interest for some time and is increasing. However, due to data limitation, a limited number of countries have analyzed labor market integration by intake categories, which would allow distinction between groups such as labor migrants, refugees, family reunion migrants, and so on. This article discusses the labor market trajectories, employment, and income of refugees in Western countries in relation to labor migrants and family reunion migrants as well as the sub-category of resettled refugees.

## DISCUSSION OF PROS AND CONS

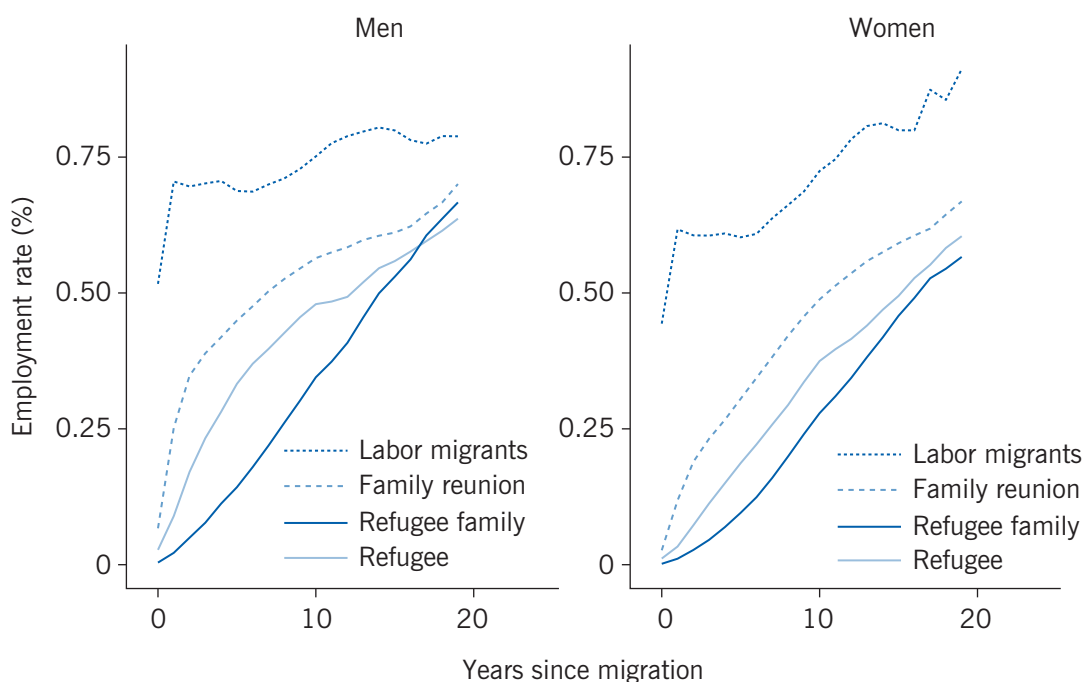
### Overview of the economic integration of refugees

Although a large body of literature is available on the economic integration of immigrants in host countries, limited studies have been conducted specifically on the economic integration of refugees. Since the Second World War, the establishment of the UNHCR in 1949, and the 1951 Refugee Convention, the number of people seeking asylum has had a profound effect on OECD countries. Over the last three to four decades, these countries have had to deal with increasing numbers of refugees from around the globe.

One obvious question is: do refugees integrate easily into the host countries' labor markets? Other questions relate to the extent to which they are able to reach the same levels of employment as other immigrant categories or the native population, and what the income trajectories of refugees look like compared to natives and other categories of immigrants.

Currently a number of studies in countries such as the US, Canada, Australia, the UK, the Netherlands, Switzerland, Denmark, Norway, Germany, and Sweden have focused specifically on the labor market integration of refugees. Compared to other immigrant categories, refugees generally have lower employment rates, especially when measured shortly after arriving in the host country. However, over time, refugee immigrants “catch up” and show similar employment levels as other non-economic immigrant categories [1], [2], [3], but still exhibit lower levels when compared to economic (labor) migrants [2], [4] (Figure 1). Moreover, the income trajectories for refugees appear similar to other non-economic immigrant categories [2], [4]. Though again, refugee immigrants lag behind labor migrants in terms of earnings development [5], [6], [7].

Figure 1. Employment integration of immigrants and refugees, Sweden



Source: Author's own calculations based on register data for the years 1997–2016, Statistics Sweden. Online at: <https://www.scb.se/en/>

With respect to the economic integration of refugees as compared to other immigrants, differences such as age, marital status, gender, origin, and human capital characteristics (like education) as well as health status affect their economic integration.

Refugees, like family reunion immigrants, are less likely to be favorably selected for labor market integration (i.e. less likely to secure employment in the host country) when compared to labor immigrants. One of the reasons for this is that a number of countries that attract labor immigrants have created screening policies to ensure smoother labor market integration for them specifically. Other countries have policies to ensure that labor migrants are admitted entrance in order to match the demand for specific jobs available in the host country. Since refugees, as well as family reunion migrants, are not relocating primarily to seek employment, information on the host country's labor market situation is of less importance for their move. Subsequently, a number of countries have developed integration policies aimed at refugees that are designed to enhance their labor market integration. An example of this is found in Sweden, where refugees are offered two years of "introduction" assistance, which includes language courses, general knowledge about Swedish society and the labor market, health screening, and evaluation and accreditation of earlier skills. It is important for both refugees and their host country that these measures are effective and that they lead to higher economic integration. However, it is noteworthy that very few refugee integration policies have been thoroughly evaluated, making it difficult to give conclusive recommendations for best practices.

In order to assess the labor market integration of refugees, detailed statistical information relating to immigrant categories is of crucial importance. However, this is not always easily accessible, given that some countries record very little registered data on the topic, while in others, the only reliable sources are survey information or proxies by country of birth and cohort of arrival.

Two key measures are considered in this article with regard to the labor market success of refugees: the employment levels of refugees, and refugees' earnings. Both of these indicators are related to the labor market success of other immigrant categories.

### **Existing evidence for the economic integration of refugees**

There is reason to believe that refugees are treated less favorably than labor or family reunion migrants by their host countries. Furthermore, outcomes for refugees, economically speaking, differ from those of other immigrants. The fact that refugees arrive under different circumstances and are admitted using alternate criteria appears to affect their labor market integration. Moreover, as both the migration process and the admissions process can be drawn out and cumbersome, health issues and loss of human capital can hinder an individual's ability to adapt to their host country's labor market. The question then becomes, to what extent does policy hinder or help this process?

Research on the economic outcomes of migrants by entry category is still limited due to a lack of relevant data. For example, the existing national population data sets in Scandinavia include information on intake category reported by immigration authorities whereas those in other countries are based on self-assessed survey information reaching

a limited number of individuals. Thus, quantitative assessments of outcomes by entry category are more reliable in those countries where national longitudinal data sets are available compared to countries that have to rely on surveys. However, a special database that exists for Canada allows for the direct comparison of economic integration by intake category for Canada and other countries with national longitudinal data [2], [8].

When examining immigrant outcomes in Sweden, for example, it can be argued that refugee integration into the labor market depends mostly on individual human capital, investment in schooling and education (both in the source and host country), and labor market experience in the host country. Furthermore, by utilizing national data to assess the impact of mobility on refugees' economic outcomes in Sweden, it appears that internal migration (i.e. moving around within the host country) leads to higher overall family income for newly arrived refugee families. This can be partially explained by the fact that refugees frequently move from areas with few employment prospects to areas with greater opportunities. The internal migration of immigrants in general, and of refugees in particular, is thus an important factor when it comes to obtaining employment. Moreover, it has been shown that choice of city and the prevailing labor market situation are important predictors of labor market integration. Larger cities, for example, often have larger co-ethnic populations; there is thus greater opportunity to access ethnic networks, which are generally helpful for finding employment. So-called dispersal policies, policies that aim to randomly divide newly arrived refugees over a country or those based on non-economic factors, for example available housing, are less effective in integrating refugees into host country labor markets [9], [10].

A specific analysis of the employment integration and earnings trajectories of non-economic migrants to Sweden in comparison to Canada provides further insights [2], see also [4]. This is a worthwhile comparison to make because these two countries each accept relatively large numbers of immigrants, and because they both have specific policies designed for refugees as well as other immigrants. The employment rate for non-economic migrants is roughly the same in Canada and Sweden, although there are variations when it comes to country of birth. Differences in employment rates across intake categories and countries of origin are smaller in Sweden than in Canada. Refugees in Canada appear to be more successful than family reunion immigrants. By comparison, differences across intake categories in Sweden are relatively small. Earnings are shown to be higher in Canada than in Sweden for both males and females. Category of intake appears to make a difference for women in Canada, but not for men or women in Sweden. In both countries, refugee women earn more than family reunion women, while earnings for refugee men and family reunion men are more or less the same. In Sweden, the differences across intake categories for both employment possibilities and earnings are minimal [2].

In addition to national-level data sets, a number of special surveys have been carried out that support the relationship between immigrant entry category and economic outcomes. In the case of the Netherlands [3], it was found that host country-specific education, work experience, language proficiency, and contacts with natives are positively related to chances of employment and occupational status. For the UK, using Labour Force Survey data for the years 2010–2017, research shows that the labor market outcomes of refugees are worse compared to other migrant categories (work, education, and family) [7]. They are less likely to be employed and they earn less. The evidence from this study indicates

that differences in health status, especially mental health, may be one of the factors that contributes to the differences in outcomes between categories.

Evidence from Canada using the Longitudinal Immigration Database (IMDB) has recently been used to assess outcomes for post-1981 refugees. They appear to do equally as well as family reunion immigrants in terms of earnings. Comparing the labor force participation and earnings of different categories of immigrants in Canada two years after their arrival, refugees are shown to have lower labor market participation rates than family reunion immigrants, but their earnings are about the same [8].

Recent assessments of economic outcomes in the US show that refugees earn less than other immigrants, but that this difference can be at least partially explained by differences in language ability, schooling, level of family support, mental health, and residential area [11]. However, a gap remains, even after controlling for these factors.

Finally, evidence from Germany shows that employment bans that prevent asylum seekers from entering the local labor market while waiting on their residence permit have negative effects on their economic integration [12]. Using a natural experiment based on a court decision reducing the length of the employment ban, this study shows that those who arrived before the decision were scarred and had considerably lower employment levels than those who came after the decision.

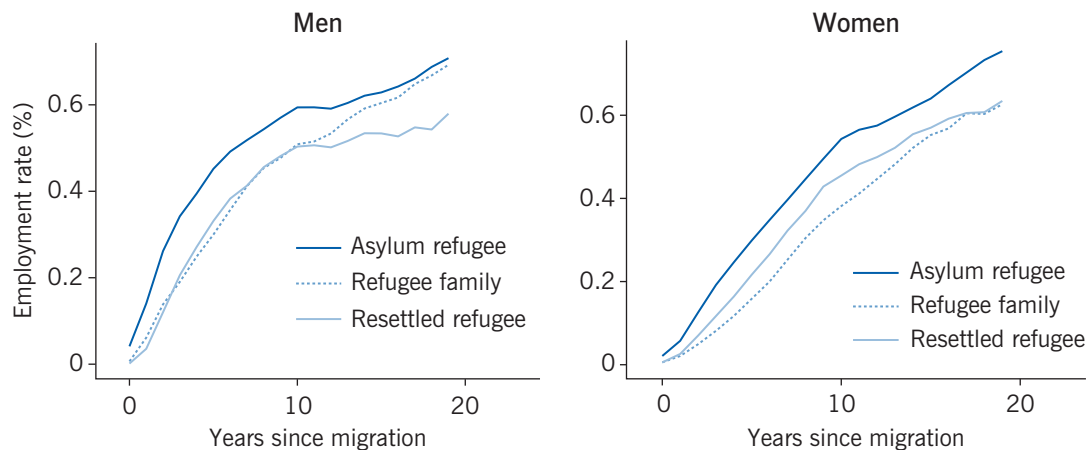
### **Resettled refugees' labor market integration**

There are only a few studies that have assessed the labor market integration of so-called “resettled” refugees compared to asylum seekers, who subsequently obtain a residence permit, and family reunion migrants. Swedish studies show that not only is there a difference in employment integration between refugees and family reunion migrants, but variation also exists between subcategories of refugees (Figure 2) [2]. These differences may be a product of integration policies that vary by entry category. It may also be that access to networks and mobility choice varies between groups, contributing to the disparities among integration levels. Resettled refugees are often located in municipalities where housing is available but where employment opportunities are scarce. By contrast, asylum refugees often have personal resources, like social networks and financial means, which enable them to settle where job prospects are more promising. Family reunion immigrants are likely to draw on the networks acquired by family and friends who have already settled in the country, thereby improving their employment chances [2].

Much of the difference between refugees and labor immigrants has been attributed to the idea that refugees are disadvantaged from the start; they experience weaker economic integration and have difficulties catching up with other non-economic and economic migrants [4]. However, there are discrepancies in the results that purport this: a comparative study shows that with increased time in the country, refugees perform in some countries as well as or even better than other non-economic immigrants; in some countries the differences are small over time, while in other countries the gap remains substantial [4]. Explanations for these results vary from more general factors like language proficiency, level of education, and credential recognition, to more specific factors that highlight mental and physical health issues connected with asylum status, as well as to what extent the asylum-seeking procedure enhances (or hinders) the integration process [11].



Figure 2. Employment integration of refugees (aged 20–64) by intake category since arrival in the host country, Sweden



Source: Author's own calculations based on register data for 1997–2016, Statistics Sweden. Online at: <https://www.scb.se/en/>

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In relation to this, several countries follow an introductory procedure that includes obligatory language courses that the refugees must pay for themselves, while others offer this service free of charge. Some countries provide settlement assistance, which includes labor market training and assistance with housing, whereas in others there is limited assistance. Moreover, refugees may obtain permanent residency in some countries, while other countries only allow temporary residency [13]. All of this can have a significant impact on immigrants' behavior in the labor market and their subsequent economic integration.

## LIMITATIONS AND GAPS

The successful labor market integration of immigrants in host societies is a major political concern in many OECD countries. The increasing number of refugees who would like to be assimilated into these countries calls for extended research on this topic. Despite the availability of a huge body of literature on the economic integration of immigrants, there is still a gap when it comes to studying immigrants according to category of entry, especially the refugee category.

Current research about the economic integration of refugees in host countries could benefit from more in-depth investigations using longitudinal statistical information, specifically regarding pre-migration conditions as well as to what extent various policies affect refugees' short- and long-term integration into host economies.

Future research should thus focus on the accumulation of statistical data for each immigrant entry category and the analysis of specific pre- and post-migration aspects of a successful labor market integration of refugees. Longitudinal statistical information that makes it possible to follow individuals over time is of crucial importance to assess the labor market entrance, as well as the occupational and income mobility of refugees versus other immigrant categories and the native population. Comparative country research is also necessary in order to assess whether refugee integration policies are efficient and if they induce the desired effects.

## SUMMARY AND POLICY ADVICE

The labor market integration of refugees in a number of OECD countries shows that, in comparison to other immigrant categories, refugees have a slower start but subsequently “catch up” with other non-economic entry categories. But, refugees do not reach the same level of labor market integration as economic immigrants and natives. These results appear robust, as comparable outcomes have been observed throughout a range of national labor markets.

In most OECD countries, there is a variation in the level of country-specific introductory packages and policies toward refugees. These packages are typically designed with the goal of diminishing the employment/income gap between natives/labor migrants and refugee/family reunion migrants. The actual effectiveness of these programs remains an open question, and more empirical research is needed to inform future policy measures. Current results show that lower levels of health among refugees compared to other immigrant categories and dispersal policies used by countries to resettle refugees are among the factors that affect successful labor market integration.

Given the long-term gap in labor market integration experienced by refugees, host countries are missing out on the potential economic gains offered by refugee immigration. In turn, this gap can fuel poverty and segregation among refugees and increase societal costs. This could reduce host countries’ willingness to accept new flows of refugees into OECD countries. Although more research is profoundly needed in this area, policymakers should encourage the adoption of methods that have so far proven to be beneficial for inducing faster economic integration of immigrants; one such example is to offer early introduction assistance packages that include screening of health level and possible remedy, training in language and specific labor market aspects, and resettlement in robust labor market regions.

### Acknowledgments

The author thanks two anonymous referees and the IZA World of Labor editors for many helpful suggestions on earlier drafts. Previous work of the author together with R. Pendakur contains a large number of background references for the material presented here and has been used in large parts of this article [2]. Version 2 of the article furthers the discussion on the effects of health status and dispersal policies on successful integration of refugees, includes new figures, and fully revises the references.

### Competing interests

The IZA World of Labor project is committed to the IZA Code of Conduct. The author declares to have observed the principles outlined in the code.

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### Further reading

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