

Refugee Migration to Germany Revisited: Some Lessons on the Integration of Asylum Seekers

Policy brief

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“How to manage the refugee crisis”

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Germany has emerged as the leading destination of refugees in the EU and among other high-income countries in absolute terms at 1.6 million asylum applications, which have been submitted there from 2015 to 2018. More than two-thirds of the refugee population in Germany has received already a protection status, another one-fifth of the applications are still pending. Angela Merkel characterized refugee migration as the most demanding task of her chancellorship in summer 2015 – but was also optimistic that Germany would master this challenge. Almost four years after the surge in refugee migration to Germany and other European countries we can draw a first balance of what has happened in 2015 and what has been achieved regarding the integration of refugees into the economy and other areas of society in the leading destination country of asylum-seekers in the EU. In the following, we briefly discuss the most critical lessons from this unique experience.

1. The overwhelming share of the refugee population in Germany has legitim reasons for receiving protection

More than 80 percent of the German refugee population stems from countries where large parts or the entire population is affected by political terror according to the Political Terror Scale, a similar share comes from countries which are classified as unfree by the Freedom House Political Rights and Civil Liberties indexes and two-thirds from countries which are affected by war. Accordingly, 85 percent of the German refugee population report threats of armed conflicts, persecution, and forced recruitment as migration motives. This is reflected in high

shares of asylum-seekers who have received a protection status in Germany: the asylum applications of two-thirds of the refugee population in Germany have been meanwhile approved, while another one-fifth of the applications are still pending. The frequently voiced concern that the relatively easy access to Germany and other EU countries in 2015 has led to a massive influx of individuals without legitimate asylum claims is thus unfounded. In contrast, average approval rates of asylum applications are particularly high in the 2015 to 2018 period compared to previous historical refugee immigration episodes in Germany. This has the important implication that a majority of the refugee population will most likely stay in Germany, which, in turn, creates an unprecedented challenge for integration.

2. *The refugee population in Germany is highly selective in terms of education, personal characteristics and values relative to the home country population*

War, armed conflicts and violence as well as the high risks and costs of migration have affected the selectivity of the refugee population in many dimensions, and, hence, their prerequisites for economic and social integration. Self-selection theories predict that the origin country risks have a positive impact on the skill-selection as well as on selection with concerning other abilities while the converse is true for migration risks. The available empirical evidence indicates that refugees are positively skill-selected relative to the population average in origin countries, but that a considerable education gap exists between the native population in Germany and the refugee population, particularly in the area of vocational training. This is a severe impediment to integration in a labor market which relies so heavily on professional certificates as the German one. However, a relevant qualification is that the refugee population possesses already a relatively long employment record and that the overwhelming share of those with working experience performed skilled or high-skilled tasks. Transferring these skills, which are often acquired on the job without formal certificates, into the German labor market, is one of the key challenges. Labor market integration might be, however, facilitated by the behavioral characteristics of the refugee population, which are positively associated with economic success. Moreover, the selection of refugees in terms of values and attitudes show strong support for democratic convictions which should facilitate integration both into the society and economy.

3. *Labor market integration of the recent refugee arrivals proceeds faster than in past refugee migration episodes in Germany*

The labor market integration of asylum-seekers who arrived in 2015 and the following years proceeds somewhat faster than that in previous refugee immigration episodes in Germany. About one-third of the refugee population has been employed by October 2018, i.e., about three years after the immigration surge in 2015. If this trend continues, between 40 and 45 percent of the refugee population will be in employment by the end of 2019, which is about one year faster

compared to the record of other refugee arrivals since the beginning of the 1990s in Germany. Wage levels of full-time employed refugees are at about 55 percent well below median wage levels in Germany. Although considerable progress has been achieved concerning the labor market integration of the recent refugee arrivals in Germany, it is still lagging well behind that of other immigration groups.

This is hardly surprising given that forced migrants are almost by definition ill-prepared for integration into labor markets of destination countries, lacking language skills and other human capital characteristics and face furthermore many legal and institutional barriers hindering integration. In this study, we have provided a selective, but in-depth analysis of four topics that are particularly relevant for the design of integration policies for humanitarian migrants not only from a German but also from an international policy perspective.

4. The approval of asylum applications and fast asylum procedures facilitate labor market integration and program participation.

Given various accompanied legal restrictions, the outcomes of asylum procedures have significant consequences not only for refugees' staying prospects in the host society but also for their economic and social integration. Public and academic debate emphasizes further the negative consequences of protracted asylum procedures. It has been argued that refugees are kept in a kind of legal and social limbo, isolated and segregated from the native population during the processing of their asylum applications (Brekke, 2010; Hainmueller, Hangartner, & Lawrence, 2016; Jackson & Bauder, 2014; Taylor & Rafferty-Brown, 2010). Against this background, we analyzed the complex interaction between protracted asylum procedures, the legal status and regions of origin concerning the initial decision of asylum-seekers to enter the labor market or to invest in language proficiency in Germany. Our findings can be summarized as follows: First, the acceptance of an asylum application increase the transition rate into the first job by 27 percent compared to those whose applications are still pending or declined. Second, increasing the length of the asylum procedure by six months reduces the transition rate into first employment by 11 percent. Third, a positive or negative decision on the asylum application increases the hazard rate of language program enrolment by 75 and 77 percent, respectively, while increasing the length of the asylum procedure reduces the hazard rate of enrolment in a language program by 11 percent.

Asylum policies should, therefore, strive for efficient and rapid asylum procedures in order to ensure legal certainty for asylum-seekers at an early stage. Faced with 1.6 million asylum applications, German asylum policies have prioritized the acceleration of asylum procedures. The rationale behind these policies was, on the one hand, to increase chances to displace asylum-seekers whose claims have been declined, and, on the other hand, to facilitate the integration of those whose applications have been approved by creating certainty on the legal

status. Our findings do indeed support the view that reducing the length of asylum procedures and the approval of asylum applications ameliorates employment chances considerably. Moreover, shorter asylum procedures and decisions on asylum applications promotes participation in integration programs irrespective of the outcome of the decision. Altogether, faster decisions and the approval of applications facilitate integration.

The acceleration of asylum decisions was achieved in Germany beyond an increasing staff and higher efficiency of the decision-making authority, the BAMF, by the clustering of asylum-seekers concerning their staying prospects. The overall length of asylum procedures has been reduced by these policies substantially but at the expense of non-prioritized groups who suffered from prolonged procedures. The non-prioritized groups suffered not only in terms of more prolonged asylum procedures and higher legal uncertainty, but also from the exclusion from integration measures such as language courses. This exclusion may be associated with high economic and social costs, including the devaluation of human capital or being pushed into the informal economy. While the clustering of refugees was unavoidable to accelerate the overall decision-making process, the economic and social costs for those in longer-lasting asylum procedures could have been mitigated by the supply of language courses, labor market programs and other integration measures which would have increased the chances of successful and sustainable integration in Germany. In the case of a return to the country of origin, the qualifications acquired could be valuable for reintegration.

5. Administrative dispersal policies have perpetuated spatial mismatch and hampered labor market integration in Germany.

Germany, like most other destination countries, disperses newly arrived asylum-seekers administratively. They are, first, allocated across the 16 German states according to an annually updated quota based on tax revenue and population numbers (*Königsteiner Schlüssel*), and, second, within states following similar but state-specific criteria. As a consequence, the regional allocation of refugees differs largely from that of other migrants, which are concentrated either in prospering economic areas in Southern Germany, the Rhein-Main-region and other urban centers or in the historical destinations of guestworker migration such as the Ruhr area. As long as their asylum application has not been approved or was rejected, freedom of movement is restricted at least in cases where refugees could not spend their living out of their earnings. However, after approval, refugees were eligible to freely choose the place of residence before a wide-ranging reform of asylum policy became effective in August 2016. Political concerns about high rates of secondary migration mostly from economically weak to booming regions and the development of co-ethnic ghettos and parallel societies after obtaining the freedom of movement emerged. Therefore, as part of a whole set of policy measures, the legislature implemented a residency obligation which compels approved refugees to reside in the state in

which they claimed asylum for the further three years. Six states – including Bavaria, Baden-Wuerttemberg and North Rhine-Westphalia as the economically prosperous, highly populated ones – go one step further and allocate the place of residence at the district or even municipality level.

Our empirical results reveal adverse labor market effects of the more restrictive implementation at the small-scale district- or municipality level in terms of a 29 percent reduced transition rate into first employment. Refugees residing in regions with unfavorable labor market conditions such as low population density, poor job-availability, low labor demand, and high unemployment rates are particularly disadvantaged. This indicates that the residency obligation prevents them from moving into urban areas with more favorable labor market conditions after approval. Overall, we conclude that mobility restrictions seem to have a detrimental impact on labor market integration.

6. *Language programs can significantly facilitate labor market integration but only if they are well designed.*

There is a broad consensus in the literature that proficiency in the host country language is crucial for labor market integration, since it is often a precondition for job hires and facilitates the transferability of human capital acquired abroad. Only very few refugees were proficient in the German language upon arrival, and only a minority possesses fluent English language skills. Early investment in language courses for refugees shortly after arrival promise substantial economic and social returns. Although an infrastructure for providing language classes was not yet available in 2015, the German Federal Government and many other actors at the Federal State and municipal level as well as in the civil society contributed to the supply of language programs in one way or another. In our study, we have investigated the effects of two major language programs in Germany: the so-called integration courses, the main language program at the national level in Germany which existed already long before the refugee immigration surge, and a large-scale, but temporary language program of the Federal Employment Agency (*Bundesagentur für Arbeit*) which has been introduced in an ad hoc manner shortly after the immigration surge.

We find that refugees who participated in the comprehensive integration courses received high returns in the labor market: enrolment in the integration courses increased the probability of employment by 12.8 percentage points 12 months after the completion of the courses, which corresponds to a 50 percent increase in the employment probability. In contrast, no discernible effects have been found for the temporary program of the Federal Employment Agency.

Whether the different outcomes of the programs can be traced back to well-established standards and curricula, the longer duration of the integration courses compared the Federal

Agency program, or to the certificates issued by the integration courses is an open question. The main conclusion is that language- and integration programs have high potential returns, but that their actual success depends critically on their quality in terms of well-established curricula, standards and certificates and on a sufficient length of instruction. It is, thus, preferable to build on the experiences of existing programs rather than to implement new programs in an ad hoc manner. Nevertheless, we can conclude that early investments in language courses for refugees shortly after arrival may yield substantial returns in terms of improved economic integration. Moreover, early language training might generate significant economic benefits for the host society, in terms of higher tax contributions from employed refugees and lower welfare expenditures for unemployed refugees.

7. Access to the health care system significantly reduces the risks of mental diseases and post-traumatic distress.

The relevance of health status for individual educational achievements (Baird, Hicks, Kremer, & Miguel, 2016), economic integration (e.g., Chatterji, Alegria, & Takeuchi, 2011) as well as social inclusion (e.g., Steptoe, Deaton, & Stone, 2015) has been shown many times in the empirical literature. From the societal point of view, the adverse health status of the population (groups) may cause economic and fiscal damages due to fewer hours worked or overall work absenteeism (Hanna & Oliva, 2015). In this sense, restricted or even no access to the healthcare system for highly disadvantaged population groups such as humanitarian migrants – not uncommon in developed destination countries – can be detrimental for the economy and the society as a whole.

In Germany, only several federal states and municipalities opened up immediate access to the healthcare system for asylum-seekers already before their asylum request is approved. In other localities, asylum-seekers who require a doctor visit have to claim it either by the local authority for foreigners or the responsible social assistance office in Germany. Such constellations can not only result in the delayed treatment but are likely to surge severe health impairments and illnesses that likely remain unrecognized.

Our results evidence – on the one hand – no significant differences in terms of physical health between refugees with general access to the health system (via policy change, status approval or duration of stay) and those with no general access to the health system. On the other hand, refugees with general access to the health system show 7 percent higher mental well-being scores compared to those with no general access to the health system. Moreover, access to the health system via status approval results in a 13 percent lower level of depression symptoms and anxiety. We further find between 31-37 percent lower risk of emotional distress if early general access to the health system – i.e. in the first 15 months of stay – is provided. In sum, we may conclude that the introduction of the reforms allowing asylum-seekers' faster and more

direct access to the health system indeed had a positive impact on their health outcomes such as emotional distress. However, we found no impact on physical health indicators, which may be caused by the relatively young age of the refugee population and their correspondingly favorable physical health conditions. Nevertheless, a comprehensive nationwide immediate access to the healthcare system for asylum-seekers could benefit both humanitarian migrants and the German labor market and the welfare state. Free access to health services, early detection of illnesses, handicaps, and disabilities together with an effective treatment all may promote long-term integration into the German labor market and society.

Critics of such reforms must be confronted with the fact that empirical results from very similar research contexts are available and – contrary to what might be assumed – prove that such reform reduces treatment costs in the medium or long run (Bozorgmehr & Razum, 2015). Another criticism is that full access to the German healthcare system could increase the attractiveness of Germany as a destination country relative to other contemplable destination countries and would act as an additional pull factor for humanitarian migration. However, a significant impact on the migration decision to leave the country of origin is questionable: an extremely perilous journey would have to be withstood before asylum-seekers could benefit from the then unrestricted healthcare system in Germany or elsewhere in western countries.

8. Overall, considerable progress has been achieved in the integration of refugees who arrived in 2015 and the subsequent years in Germany. Nevertheless, given that two-thirds of the refugee population in working age are not yet in employment, the final jury stands out.

We can conclude that considerable progress has been achieved in the integration of refugees who have arrived in the course of the 2015 immigration surge in Germany and the subsequent years. The acceleration of asylum procedures, the provision of language and other integration programs at an early stage after arrival and access to the health system may facilitate integration, while administrative dispersal policies and mobility restrictions tend to reduce integration chances particularly for those captured in regions with relatively unfavorable labor market conditions. The final jury whether Germany ‘has made it’ as was predicted by Chancellor Merkel in the summer of 2015 stands still out, given that two-thirds of the refugee population in working age is not yet in employment. Nevertheless, the labor market integration of the German refugee population seems to proceed slightly faster in comparison to past refugee immigration episodes, which is in our view a remarkable result given the massive scale of the recent influx.

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