How to Manage the Refugees Crisis
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Discussion:
Refugee Migration to Germany Revisited
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Summary

• Very comprehensive descriptive information on characteristics of refugees to Germany 2013-2016

• Important evidence on labour market integration

• Analysis of effectiveness of wide range of policies
Refugee background

- Origin countries are affected by conflict, restrictions on civil liberties
- High costs of travel and major risks
- Favourable skill selection in origin population
- Also selective in political views and personality traits
Selection

• Develops a useful theoretical model

• Previous treatments (Chin and Cortes 2015) argue that persecution as driving force implies lesser importance for economic selection

• Findings interpreted through model from Aksoy and Poutvaara 2019
  • Draws attention to
    • economic aspects to risks in origin country
    • Importance of migration risk
Model of selection

• Expected utility at origin $EU_0=(1-p) \ln w_0 - pL_0$
  • incorporates probability of loss through persecution or victimisation $p$
  • Recognises economic loss and additional harm $L_0$

• Expected utility at destination $EU_1=(1-q) \ln w_1 - qL_1$
  • Incorporates possibility of loss during migration $q$ and associated harm $L_1$

• Migrate if expected gain $EU_1-EU_0$ exceeds cost of migration $c$
Economic selection

- Wages in both source and destination depend on human capital $s$ according to $\ln w_i = a_i + b_i s$

- Migrate if $[(1-q)b_1 - (1-p)b_0]s + (1-q)a_1 - (1-p)a_0 + pL_0 - qL_1 - c > 0$

- If $[(1-q)b_1 - (1-p)b_0] > 0$ then migrants are those with higher skills $s$

- Economic migrants move if $[b_1 - b_0]s + a_1 - a_0 - c > 0$

- More or less selected?
Cutoff skill level for economic migrant
Cutoff skill level for refugee

\[ s^* = \frac{(1-p)a_c(1-q)a_s p(1-q)l_1 + c}{[(1-q)b_1(1-p)b_0]} \]
Risk and skill selection

• Increasing persecution risk $p$ increases $d(EU_1-EU_0)/ds$ but reduces $s^*$ and therefore decreases average skill level of migrants.

• More true the greater is the noneconomic loss $L_0$.

• Increasing migration risk $q$ discourages migration and raises average skill level of migrants.
Other reasons for skill selection

• Is persecution risk (either $p$ or $L_0$) correlated with income? Depends on the nature of the conflict or repression

• Is migration risk $q$ correlated with skill? Resources needed to survive and pay for migration
Labour market integration

• Problem of lack of specific training

• Overqualification

• Refugees begin with lower employment and approach rates of other migrants over lengthy time period
Refugee employment rates

Figure 4-1: Historical employment rates of refugees and other migrants by arrival year, in percent.
Cross country comparison
Cross country evidence
Model of integration

• Migrants arrive with imperfectly transferable human capital

• Need to acquire destination-specific skills (especially language) but investment is costly in forgone earnings

• Investment will depend on
  • initial human capital
  • ability to acculturate
  • expected duration of migration
Integration of refugees and other migrants

• Refugees differ from economic migrants in
  • lower average initial human capital
  • less selection on ability to assimilate
  • uncertainty about return
Policy

• Very useful study of effectiveness of policies relevant to integration success

• Brings together results from several studies by the coauthors

• Uses variation across states, across time and across types of immigrant to identify effects
Asylum policy

• Lengthy asylum uncertainty is harmful to integration

• Affects refugee through accentuated uncertainty over length of migration

• Allows skills to atrophy if limitations on work

• Compatible with findings on other countries (Bakker et al 2014, de Vroome and van Tubergen 2010 in Netherlands; Hvidtfeldt et al 2018 on Denmark; Hainmueller et al 2016 on Switzerland)
Dispersal policy

• Forced dispersal is intended to discourage formation of enclaves, encourage integration

• Evidence suggests harmful to integration

• Removes access to job networks and hinders local human capital accumulation

• Also compatible with other studies (Edin et al 2003, 200 for Sweden; Damm 2009, 2014 for Denmark; Beaman 2011 for US)
Language and health policies

- Programs targeted at language needs are successful at improving proficiency and enhances labour market outcomes

- Access to health system reduces health problems