

*fondazione Rodolfo Benedetti*

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

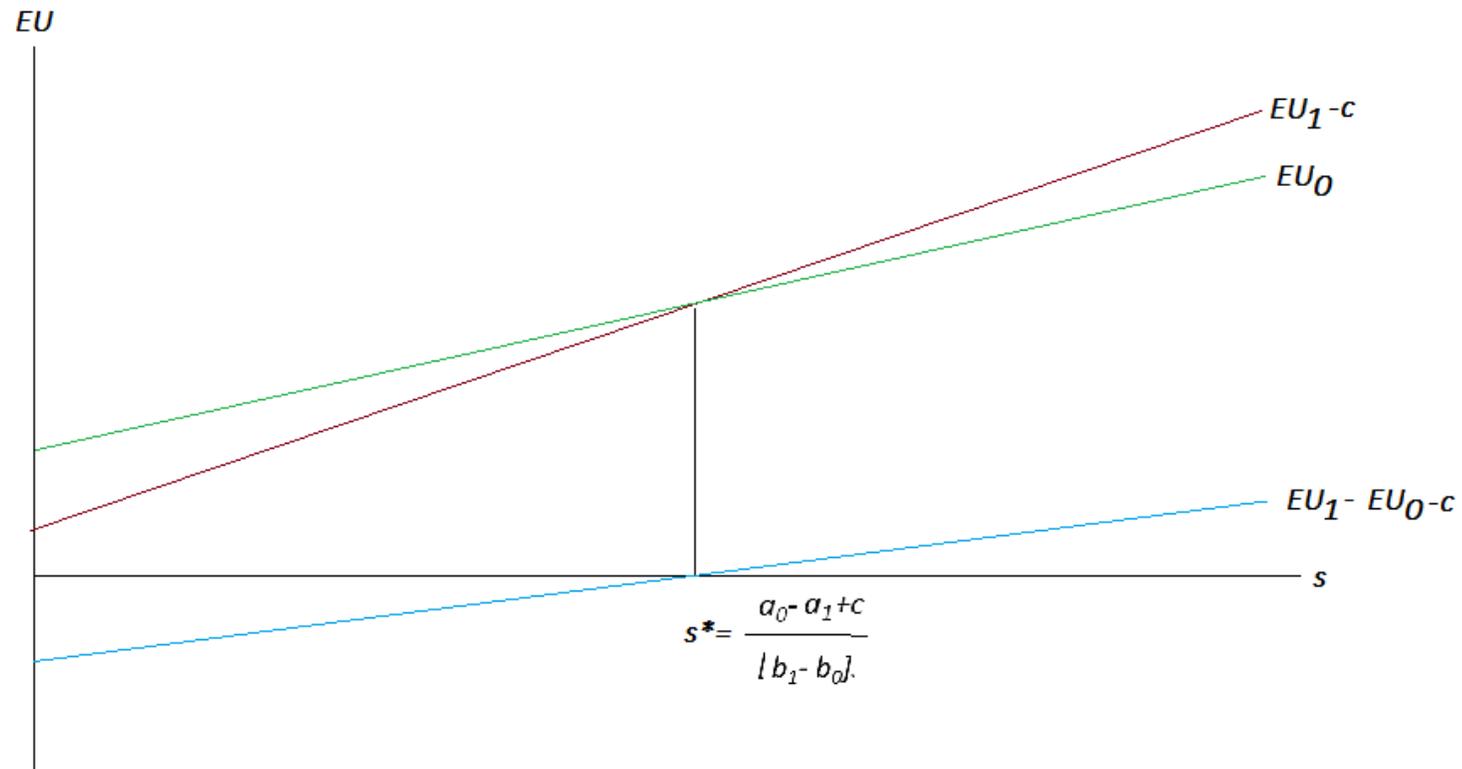
# Model of selection

- 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  $c$

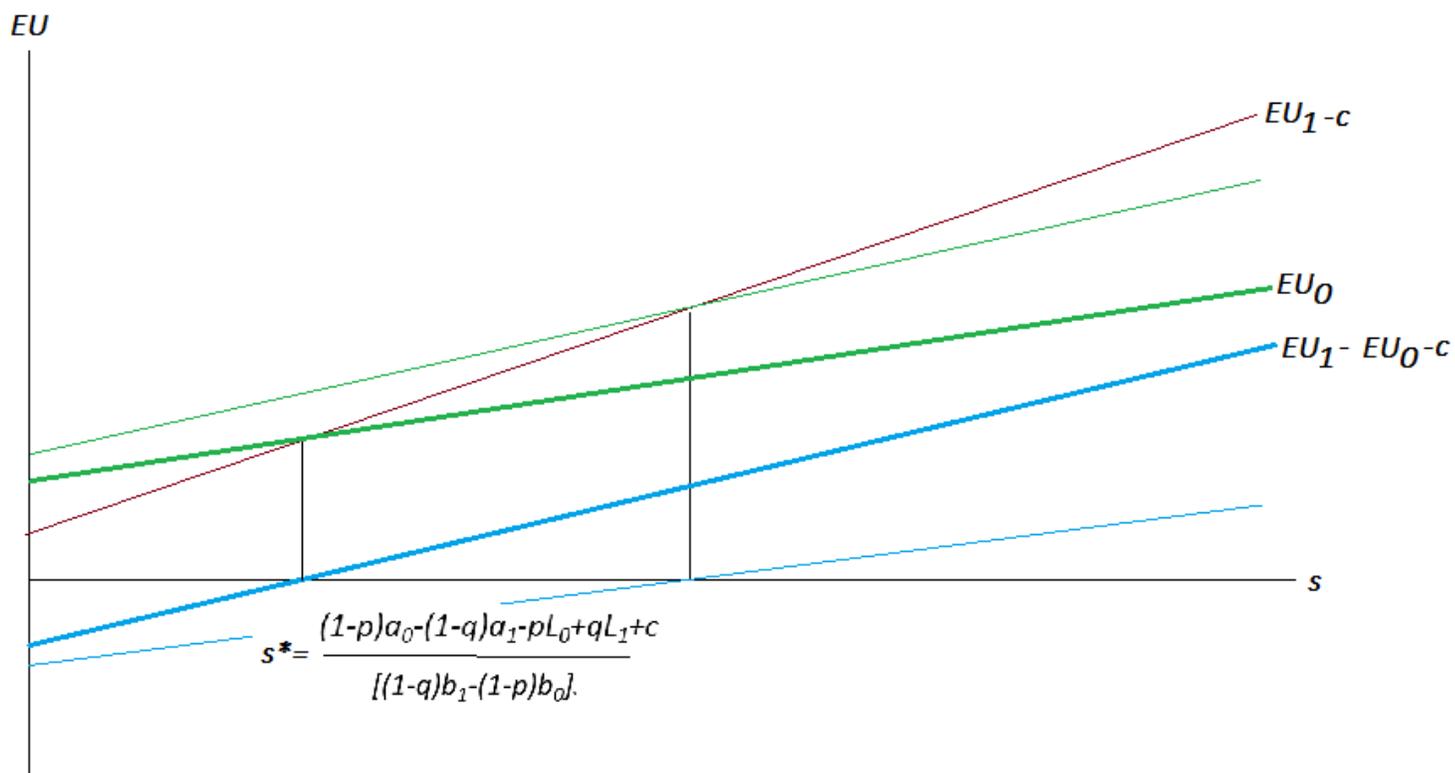
# Economic selection

- 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



# 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

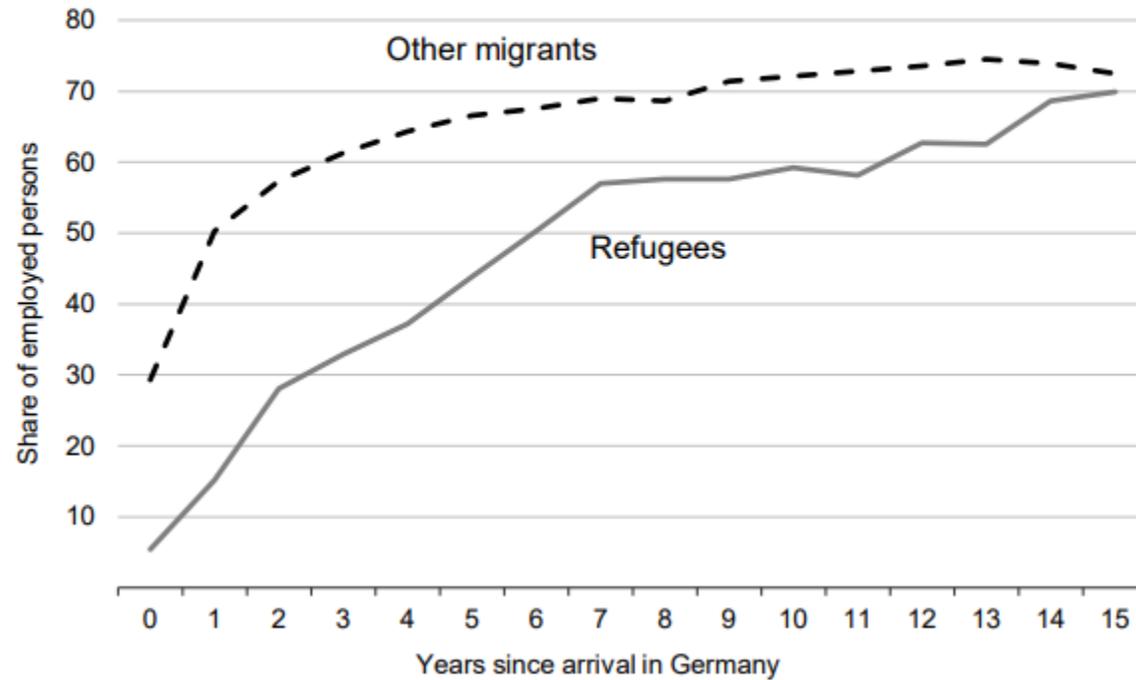
- Is persecution risk (either  $p$  or  $L_0$ ) correlated with income? Depends on the nature of the conflict or repression
- Is migration risk  $q$  correlated with skill? Resources needed to survive and pay for migration

# Labour market integration

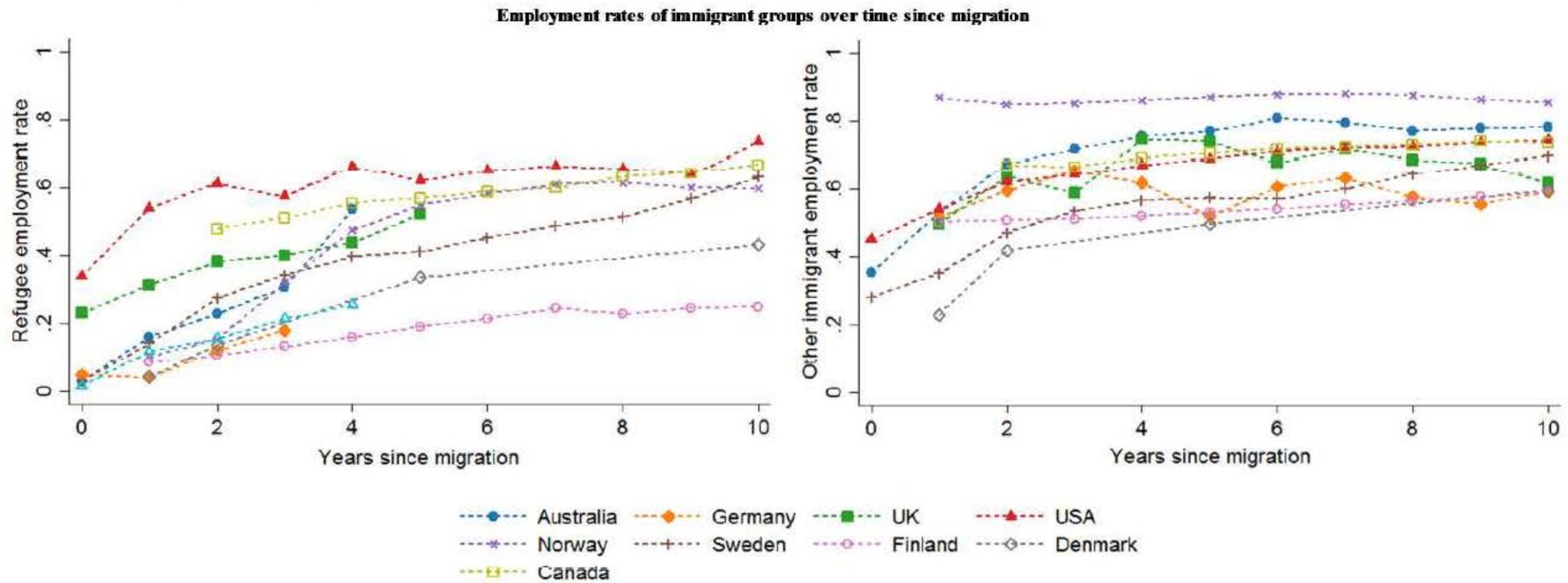
- Problem of lack of specific training
- Overqualification
- Refugees begin with lower employment and approach rates of other migrants over lengthy time period

# Refugee employment rates

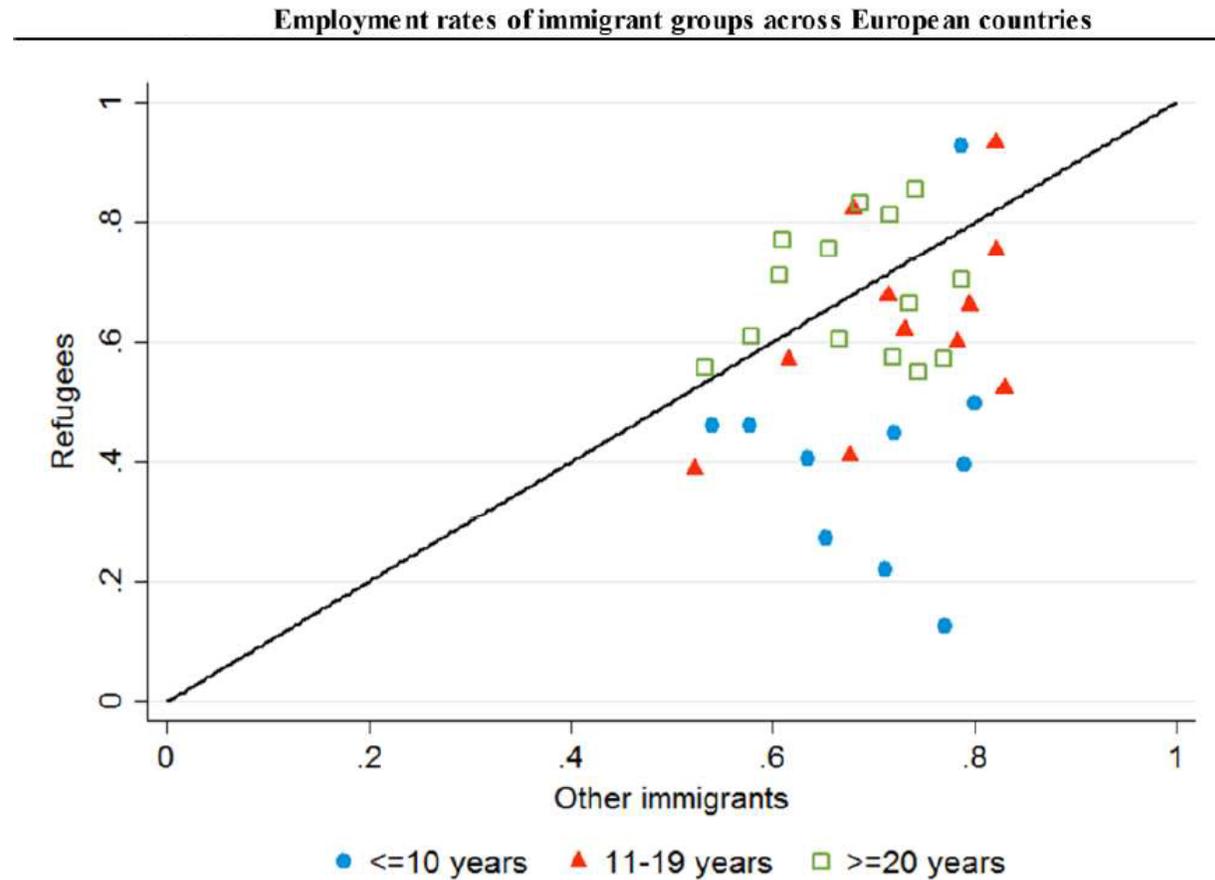
**Figure 4-1:** Historical employment rates of refugees and other migrants by arrival year, in percent.



# 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