

STUDY

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New approaches to labour market integration of migrants and refugees



Policy Department for Economic, Scientific and Quality of Life Policies
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Abstract

The integration of migrants and refugees into the labour market remains a critical challenge for EU countries. This study reviews recent academic research on effective policies to remove the barriers that hinder migrant integration in host countries. The study identifies nine key integration challenges, discusses existing evidence and provides policy implications.

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LIST OF ABBREVIATIONS

EC	European Commission
EFTA	European Free Trade Association
EU	European Union
EU14	Countries which were members of the EU prior to 2004 (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Republic of Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and Sweden)
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
OECD	Organisation for Economic Co-operation and Development
TFEU	Treaty on the Functioning of the European Union
WB	World Bank

EXECUTIVE SUMMARY

Background

As of 1 January 2023, there were 41.2 million immigrants residing in EU Member States, accounting for 9.2% of the EU population (447.6 million). The majority of this migrant population (66%) were citizens of non-Member States (non-EU Migrants), totalling 27.3 million and representing 6.1% of the EU population. The remaining 13.9 million individuals - accounting for 3.1% of the EU population - were citizens of another EU Member State (EU mobile citizens). A large body of research has shown slow and incomplete economic integration of migrants in European countries, especially those with low education and coming from outside of Europe (mainly Africa and the Middle East). Migrants' employment probability in EU labour markets is substantially lower – and unemployment probability substantially higher - than that of comparable native workers. These migrant-native gaps in employment and unemployment are particularly pronounced for Extra-EU migrants, women and refugees. Further, migrants are disproportionately represented in low-paid occupations, are more likely to hold temporary contracts and part-time jobs and to experience skill downgrading than national workers.

The integration of migrants and refugees into the labour market remains a critical challenge for European countries, as migration patterns evolve in response to economic, geopolitical, and environmental pressures. Labour market integration is hindered by various factors, including language barriers, skill downgrading, and legal obstacles. Refugees, in particular, face compounded disadvantages due to their traumatic displacement experiences and legal uncertainties.

Aim

The study focuses on one specific element of migrant integration: labour market integration (or, economic integration). According to the European Commission (EC), labour market integration is defined as: "The extent to which migrants will achieve the same range of labour market participation as nationals of EU Member States by using their skills and realising their economic potential". A comprehensive evaluation of labour market integration requires consideration of multiple indicators. Employment status is often seen as the primary indicator of labour market integration, yet labour market participation (i.e. whether workers are either working or actively searching for jobs) and job quality are also crucial. Job quality spans various factors, such as wages, working conditions, contract type, working hours, and the match between jobs and workers' skills and qualifications—all contributing to migrants' ability to realize their potential in host countries.

Enhanced integration of migrants and refugees yields substantial benefits not only for the individuals and their families but also for the communities they join and the countries they leave behind. Successful labour market integration is vital for reducing reliance on welfare, increasing economic contributions, and addressing labour shortages, particularly in the context of ageing populations in Europe, thereby boosting overall income per capita and productivity. The role of policymakers is critical in this process; they should implement strategies that effectively utilize migrants' skills while safeguarding against exploitation, which aligns with key Sustainable Development Goals aimed at ensuring decent work and reducing inequalities, ultimately fostering responsible and effective migration policies for the future.

This study provides a comprehensive review of existing research, challenges, and policy responses aimed at improving the labour market integration of migrants and refugees within the European Union (EU). This review includes studies based on three main criteria: (i) a focus on European countries and, occasionally, other advanced economies; (ii) an emphasis on quantitative policy evaluations that assess

causal relationships rather than mere correlations; (iii) a preference for independent academic research published in leading peer-reviewed journals. In total, the review encompasses over 160 studies.

Key Findings

The review of academic research is organized into nine broad challenges migrants and refugees commonly face when accessing labour markets in their destination countries:

- (i) Language Barriers;
- (ii) Educational Barriers;
- (iii) Employability Barriers;
- (iv) Residential Segregation;
- (v) Limited Bargaining Power;
- (vi) Discrimination and Hostile Attitudes;
- (vii) Welfare State Access;
- (viii) Migration Policy Design;
- (ix) Asylum Policy Design.

The first three general challenges are related to migrants' human capital and its international transferability. The fourth challenge is determined by migrants' residential choices. The fifth and sixth challenges relate to the labour market interactions between migrant workers, employers, and native workers. Finally, the last three challenges refer to government interventions in three crucial areas: access to welfare benefits, migration policy, and asylum policy.

For each integration challenge, the discussion begins with theoretical considerations to outline potential determinants of observed patterns and the expected impact of specific policy interventions, followed by a review of existing evidence and key findings that may guide informed policy recommendations.

The study further considers the role of social partners and other private organizations in promoting the labour market integration of migrants. The discussion begins with a focus on trade unions and the challenges related to migrant unionization and representation. It then considers the role of employers - including migrant employers - and their organizations, followed by an overview of recent EU-level initiatives involving social partners. The analysis concludes with a look at other private organizations, such as NGOs, and their contributions to supporting migrant integration.

Based on the evidence discussed in the previous chapters, the study concludes by drawing some policy recommendations. Some broad policy lessons are first discussed, recommending a policy-making focus on:

- (i) early interventions soon after arrival;
- (ii) careful consideration of policy trade-offs when implementing interventions;
- (iii) the removal of unnecessary integration barriers;
- (iv) raising awareness of unintended consequences and potential differences between short- and long-term effects of policy interventions;
- (v) reducing uncertainty faced by migrants in host countries.

The chapter then provides specific policy suggestions on each of the nine key challenges listed above. These recommendations span from improving the process of foreign qualification recognition for migrant workers to reducing waiting times and eliminating employment bans for asylum seekers.

By addressing these challenges and implementing targeted policies, the EU and its Member States can better harness the potential of migrants and refugees, leading to more inclusive labour markets and stronger economic growth.

1. INTRODUCTION

The integration of migrants and refugees into the labour market remains a **critical challenge for European countries**, as migration patterns evolve in response to economic, geopolitical, and environmental pressures. Labour market integration is hindered by various factors, including language barriers, skill downgrading, and legal obstacles. Migrants often experience higher unemployment rates, over-representation in lower-skilled jobs, and under-utilisation of their qualifications. Refugees, in particular, face compounded disadvantages due to their traumatic displacement experiences and legal uncertainties. This study provides a **comprehensive review of existing research, challenges, and policy responses** aimed at improving the labour market integration of migrants and refugees within the European Union (EU).

1.1. Structure of the Report

The study begins in **Chapter 2** with an **overview of migrant labour market integration in the European Union**. This chapter first provides comprehensive definitions of migrant integration and labour market integration, discusses the benefits of successful economic integration, and highlights the role of policymaking in achieving these goals. It then examines the current state of labour market integration among migrant workers in the EU, presenting key indicators and statistics on migrant presence and performance within the labour market. The chapter also explores the challenges and gaps in economic integration, with particular attention to gender disparities, distinctions between EU and non-EU migrants, and differences between migrants and refugees. Finally, it concludes with a summary of the policy frameworks governing various categories of migrants within the EU's migration and asylum policies.

The core of the study, presented in **Chapter 3**, **reviews recent academic research on effective policies to integrate migrants and refugees into the labour market** by addressing the obstacles and barriers that hinder their integration in host countries. The review identifies **nine broad challenges migrants and refugees commonly face when accessing labour markets in their destination countries**. First, three general challenges related to human capital and its transferability are examined: language barriers, educational qualifications, and employability obstacles. Next, the effects of migrants' residential choices on their integration are discussed. The focus then shifts to the labour market interactions between migrant workers, employers, and native workers, with particular attention to migrants' bargaining power, discriminatory practices, and the impact of hostile attitudes on their employment outcomes. Finally, the chapter addresses government policies in three crucial areas: access to welfare benefits, migration policy, and asylum policy. For each integration challenge, the discussion begins with theoretical considerations to outline potential determinants of observed patterns and the expected impact of specific policy interventions, followed by a review of existing evidence and key findings that may guide informed policy recommendations.

In **Chapter 4**, the **role of social partners** and other private organisations in promoting the labour market integration of migrants and refugees is briefly examined. The discussion begins with a focus on trade unions and the challenges related to migrant unionization and representation. It then considers the role of employers - including migrant employers - and their organizations, followed by an overview of recent EU-level collaborations with social partners. The chapter concludes with a look at other private organizations, such as NGOs, and their contributions to supporting migrant integration.

Finally, **Chapter 5** draws some **policy recommendations** based on the evidence discussed in the previous chapters. Some broad policy lessons are first discussed, recommending a policy-making focus on (i) early interventions; (ii) careful consideration of policy trade-offs; (iii) the removal of unnecessary

integration barriers; (iv) raising awareness of unintended consequences and differences between short- and long-term effects; and (v) reducing uncertainty. The chapter then provides specific policy suggestions on each of the nine key challenges identified in Chapter 3. By addressing these challenges and implementing targeted policies, the EU and its Member States can better harness the potential of migrants and refugees, leading to more inclusive labour markets and stronger economic growth.

1.2. Definitions: Migrants and Refugees

Throughout this report, the term "migrant" is used as a broad definition for anyone moving to another country with the intention of living there for a defined period, thereby excluding tourists or short-term business visitors. This definition - aligned with the usage by international organizations when referring to the global phenomenon of international migration and in compiling statistical databases (see, for example, OECD et al. (2016)) - does not correspond to any specific legal category.

In its broadest usage, such as when referring to "migrant labour market integration", the term "migrant" encompasses individuals across various statuses: both permanent and temporary migrants with residence permits, asylum seekers, refugees and other humanitarian migrants, as well as undocumented migrants. When it is relevant to distinguish between those entering a host country seeking international, subsidiary or humanitarian protection and those arriving for other reasons (such as work, family reunification, or study), the terms "refugees" and "migrants" are used, respectively, and juxtaposed (as in the title of this study). Here, "refugee" remains a general term, inclusive of all individuals who have come to the European Union fleeing conflict or persecution and seeking humanitarian protection¹. It includes asylum seekers (pending status determination), refugees with recognized Geneva Convention status, those with other forms of subsidiary or humanitarian protection, and resettled refugees. Ukrainian citizens granted temporary protection also fall into this category.

Precise definitions of key terms related to migrant status are included in Annex 1. This Annex also reports definitions of technical terms related to labour market outcomes and workers.

¹ For instance, OECD(2016) uses terms such as "refugee", "people in need of protection," and "humanitarian migrant" interchangeably to describe this group.

2. MIGRANT LABOUR MARKET INTEGRATION IN THE EUROPEAN UNION

KEY FINDINGS

- **Labour Market Integration:** as defined by the European Commission, refers to migrants achieving participation levels similar to EU nationals, assessed through indicators like employment status, labour market participation, and job quality.
- **Wide Benefits of Economic Integration:** Successful integration significantly benefits migrants, their families, and the host communities by reducing welfare dependency, increasing economic contributions, and addressing labour shortages, especially in aging populations.
- **Policymaker's Role:** Effective policymaking is crucial in maximizing migrants' skill utilization while preventing exploitation, aligning with Sustainable Development Goals on decent work and reduced inequalities.
- **Migrant Population in EU:** As of January 1, 2023, there were 41.2 million immigrants in the EU, comprising 9.2% of the total EU population of 447.6 million. 66% of the immigrant population are non-EU migrants (27.3 million), while 34% are EU mobile citizens (13.9 million).
- **Economic Integration Challenges:** Research indicates that economic integration of migrants in Europe is slow and incomplete, particularly affecting low-educated migrants from outside Europe, especially those from Africa and the Middle East.
- **Migrant-Native Disparities:** Migrants face significantly lower employment probabilities and higher unemployment rates compared to native workers, with the gaps being most pronounced among Extra-EU migrants, women, and refugees. Migrants are overrepresented in low-paid occupations, often work under temporary contracts, hold part-time jobs, and frequently experience skill downgrading compared to their national counterparts.
- **Migrants in the EU Policy Framework:** migrant population currently residing in the European Union can be distinguished into four broad groups that are subject to distinct policy regimes: (i) EU mobile citizens; (ii) EFTA nationals; (iii) non-EU migrants, and (iv) refugees.

This chapter provides comprehensive definitions of migrant integration and labour market integration, briefly discusses the benefits of successful economic integration, and describes the role of policymaking in achieving these goals (section 2.1). It then examines the level of labour market integration among migrant workers in the European Union (section 2.2). The chapter first presents key indicators and statistics on migrants' presence and labour market performance in the EU (section 2.2.1). It then delves into the gaps and challenges in migrant economic integration in the EU, with a particular focus on gender disparities, distinctions between EU and non-EU migrants, and differences between migrants and refugees (section 2.2.2). Finally, it concludes by briefly summarizing the policy regimes governing different categories of migrants within the EU framework on migration and asylum policies (section 2.3).

2.1. Migrant Labour Market Integration

2.1.1. Defining Integration

The International Organization for Migration (IOM) provides a broad and comprehensive definition of migrant integration: "**Integration is defined as the two-way process of mutual adaptation between migrants and host societies in which migrants are incorporated into the social, economic, cultural and political life of the receiving community.** As such, integration entails a set of joint responsibilities for migrants and host communities, and, in this broad understanding, incorporates other related notions such as social inclusion and social cohesion. Integration is a cross-cutting and multi-sectoral issue that pertains to policy areas that address the economic, social, legal, cultural, and civic spheres and impacts all aspects of migrants' lives and their communities." (IOM 2017).

While the IOM definition encompasses all dimensions of the integration process, this study focuses on one specific element, which is **labour market integration** (or, **economic integration**). According to the European Commission (EC), labour market integration is defined as: "**The extent to which migrants will achieve the same range of labour market participation as nationals of EU Member States by using their skills and realising their economic potential**"². While assessing labour market integration is arguably easier than measuring social or cultural dimensions, several indicators must be jointly considered. If **employment status** is generally regarded as the single most important indicator of labour market integration, **labour market participation** and **job quality** are also key elements of this process³. Job quality encompasses a wide range of factors, including wages, working conditions, contract type, working hours, and the alignment of jobs with workers' skills and qualifications, all of which contribute to migrants' sense of fulfilling their potential in host countries.

2.1.2. Benefits of Integration and the Role of Policy-Making

a. The Benefits of Integration

Improved integration would substantially **enhance the welfare of migrants and refugees, as well as that of their children and extended families**. This, in turn, would **benefit their families and communities left behind** through financial remittances and the transfer of social norms and practices. Moreover, successful integration would **strengthen their economic contributions to host communities** by fostering **greater participation in the labour market** and **reducing reliance on welfare support**. Further, more successful labour-market integration is important for aggregate labour supply, economic growth and public finances, and specifically, it may contribute to alleviating the problems of non-sustainable public finances in the long term caused by ageing European populations. Effective integration of migrants into the labour market can **boost income per capita in recipient economies**, by **increasing both the employment-to-population ratio and labour productivity** (OECD et al. 2016). Migration enhances labour productivity by introducing a broader diversity of skills, fostering skill complementarity, and promoting specialization, while also providing opportunities for the upskilling of native workers. Finally, fully reaping the economic benefits from migration while maximizing migrants' welfare – and fostering greater public awareness of their socio-economic contributions to host countries' economies and societies – appears to be the only credible recipe for **alleviating concerns about immigration** that are widespread among receiving country populations

² Link: https://home-affairs.ec.europa.eu/networks/european-migration-network-emn/emn-asylum-and-migration-glossary/glossary/labour-market-integration_en.

³ See Annex 1 for definitions of employment, labour market participation, unemployment and other key labour market indicators.

(Hangartner & Sarvimaki 2021).

b. The Role of Policy-Makers

The **key role of host country governments** is to facilitate and manage this integration process. In a joint background paper, the Organisation for Economic Co-operation and Development (OECD), International Organization for Migration (IOM), World Bank (WB), and International Monetary Fund (IMF) stress that **labour market integration policies in host countries** should **simultaneously pursue two key objectives: effectively utilising migrants' skills while preventing the exploitation and abuse of migrant workers** (OECD et al. 2016). They identify this approach as essential to maximising the benefits of migration for host countries, countries of origin, and migrants themselves. Furthermore, they highlight that these policy goals align with **Sustainable Development Goal 8 (Decent Work and Economic Growth)**, specifically target 8.8 on "*protecting labour rights and promoting safe and secure working environments for all workers, including migrant workers, particularly women and those in precarious employment,*" and **Sustainable Development Goal 10 (Reduced Inequalities)**, target 10.7 on "*facilitating orderly, safe, regular, and responsible migration and mobility of people through the implementation of planned and well-managed migration policies.*"

Learning from past experiences of migration and integration policies while keeping in mind the main challenges we face in the near future is essential to responsible and effective policy-making in this area. In a recent report, the OECD identifies **three interconnected megatrends poised to significantly influence migration and integration** in the coming years: (i) **environmental changes and extreme weather events**, (ii) **geopolitical instability**, and (iii) **demographic shifts** (OECD 2020). The first two mega-trends are expected to directly affect migrant flows, potentially increasing their volume and altering their composition and directions. Without effective interventions to mitigate climate change and political instability, worsening environmental conditions and conflicts will act as strong push factors for both economic migration and forced displacement. Meanwhile, the third megatrend, ageing populations in destination countries, will continue to create labour and skill shortages that migrant workers can help address. The sustainable integration of migrants into the labour market is critical for their effective inclusion in host societies and for maximising their positive contribution to the EU economy. While migrants can help alleviate skills shortages, they often struggle to fully utilise their qualifications and expertise – a challenge that may be even more pronounced for forced migrants.

2.2. Migrants in the EU and Their Labour Market Integration

2.2.1. Some Key Facts

a. Migrant Population in the EU

As of 1 January 2023, there were **41.2 million migrants residing in the EU Member States**, accounting for **9.2% of the EU population** (447.6 million). The majority of this migrant population (66%) were citizens of non-Member States (non-EU migrants), totalling 27.3 million and representing 6.1% of the EU population. The remaining 13.9 million individuals - accounting for 3.1% of the EU population - were citizens of another EU Member State (EU mobile citizens). In absolute terms, as of 1 January 2023, the largest numbers of non-nationals residing in EU Member States were found in Germany (12.3 million), Spain (6.1 million), France (5.6 million), and Italy (5.1 million). Together, these four Member States accounted for 70.6% of all non-nationals living in the EU, despite representing only 57.9% of the EU's total population. In relative terms, Luxembourg had the highest share of non-nationals, with non-nationals making up 47.4% of its population. Other Member States with significant proportions of foreign citizens (over 10% of the resident population) included Malta (25.3%), Cyprus

(19.9%), Austria (18.8%), Estonia (17.3%), Germany (14.6%), Ireland (14.4%), Latvia (13.9%), Belgium (13.5%), Spain (12.7%), and Denmark (10.5%) (Source: Eurostat, 2024⁴) The vast majority of the migrant population in the EU has been residing there for several years: according to estimates for 2022, only about one in six migrants (16.5%) had arrived within the previous five years (Frattini & Dalmonte 2024).

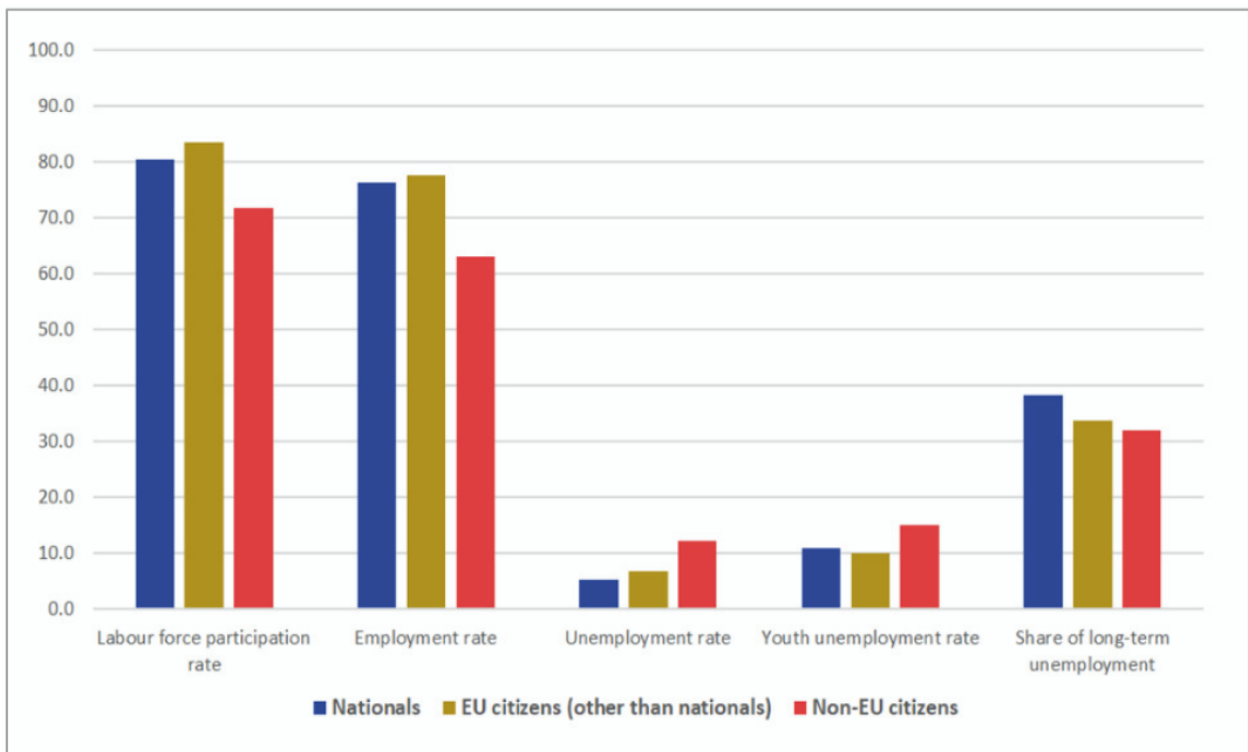
b. Educational Outcomes

First-generation migrants in Europe tend to be slightly less educated on average than nationals. This happens mainly because a higher share of migrants than nationals (33% vs 18% in EU, or 34% vs 21% in EU14 countries) has at most completed lower secondary education, but also because of a slightly higher share of tertiary educated nationals (34%, which increases to 36% in the EU14) than of tertiary educated migrants (32%, 31% in the EU14). These educational disparities reflect the overall educational attainment of nationals in the destination countries: nations with a higher percentage of university-educated nationals tend to have a larger proportion of migrants with tertiary education, and the opposite is true for countries with lower native educational levels (Frattini & Dalmonte 2024).

c. Labour Market Outcomes

Figure 1 presents **key labour market indicators** for individuals aged 20-64 years residing in the EU in 2023, broken down by citizenship status (nationals, EU migrants, and non-EU migrants)⁵.

Figure 1: Main Labour Market Indicators, by Citizenship (Year 2023)



Source: eurostat. Link: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Migrant integration statistics %E2%80%93 labour market indicators##Overview](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Migrant_integration_statistics_%E2%80%93_labour_market_indicators##Overview).

⁴ See Eurostat statistics on Migration and migrant population statistics. Available at: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Migration and migrant population statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Migration_and_migrant_population_statistics).
⁵ Annex 1 reports exact definitions of key labour market indicators.

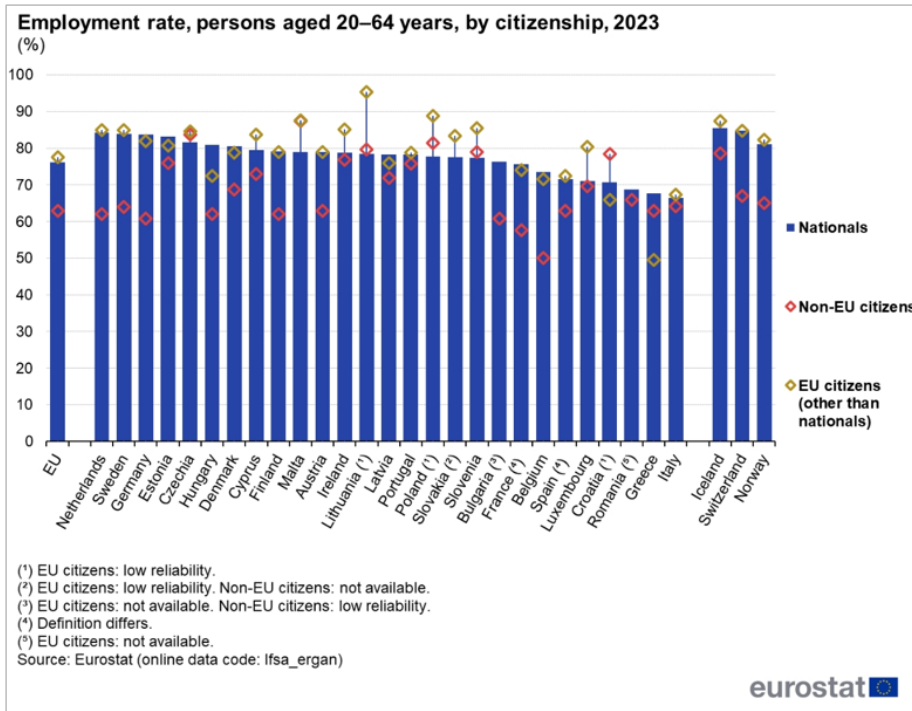
The **labour force participation rate** (i.e. the number of people in the labour force as a percentage of the total population) was highest among citizens of other EU countries (83.4%), followed by nationals (80.5%) and non-EU citizens (71.8%). Similarly, the **employment rate** (i.e. the number of employed persons as a percentage of the total population) was highest for citizens of other EU countries (77.6%), compared to nationals (76.2%) and non-EU citizens (63.0%). The **unemployment rate** (i.e. the number of unemployed persons as a percentage of the labour force) was lowest among nationals (5.4%), with higher rates for citizens of other EU countries (6.9%) and non-EU citizens (12.2%). The youth unemployment rate was 10.9% for nationals, 10.0% for citizens of other EU countries, and 15.1% for non-EU citizens. Additionally, nearly two out of five unemployed individuals aged 20-64 years in the EU in 2023 had been unemployed for at least one year: this share was lowest for non-EU citizens (31.9%) and highest for nationals (38.2%), with citizens of other EU countries (33.8%) falling in between.

Figure 2 highlights **notable differences in employment and unemployment rates across EU member states for both nationals and migrants in 2023**⁶. In Figure 2.a, employment rates for nationals are as high as 83–84% in countries like the Netherlands, Sweden, and Germany. In all other EU countries except Romania, Greece, and Italy, employment rates exceed 70%, with Italy having the lowest rate at 66.4%. A much **wider variation is observed for migrant workers**. Employment rates for EU citizens range from 87.6% in Malta to 49.5% in Greece. Similarly, for non-EU citizens, rates range from 87.4% in Malta to 50% in Belgium. The figure also illustrates that, **in most EU countries, EU migrants tend to have employment rates comparable to or even higher than nationals**. The largest positive gaps are observed for Luxembourg and Malta, where the rates for citizens of other EU countries were respectively 9.2 and 8.7 pp higher than for nationals. In contrast, among the EU countries where non-EU citizens recorded lower employment rates than nationals the largest gaps are observed in Greece (18.2 pp) and Hungary (8.4 pp). **Non-EU migrants exhibit lower employment rates relative to nationals in the vast majority of EU countries**. The largest negative gaps are recorded in Belgium (23.5 pp), Germany (22.9 pp) and the Netherlands (22.2 pp). Among the few countries where non-EU citizens recorded higher employment rates than nationals, the largest positive gaps are in Malta and Croatia (8.5 and 7.8 pp). Figure 2.b displays the extent of **variation in unemployment rates across EU countries**. The highest rates in 2023 for nationals are observed in Spain (10.9%) and Greece (10.8%). Elsewhere in the EU, this rate is below 8.0%, while the lowest rates are observed in Germany (2.4%) and Malta (2.3%). **As for employment rates, the range of variation is substantially wider for migrant workers than for EU nationals**. Unemployment rates of EU migrants vary between 14.1% in Spain and 3.9% in Germany, and those of non-EU migrants between 23.4% in Sweden and 3% in Czechia. The figure further illustrates **substantial disparities in unemployment rates between nationals and migrants across nearly all EU countries, with non-EU citizens experiencing notably larger unemployment gaps**. The largest gaps between non-EU migrants and nationals are observed in Sweden, Belgium and Finland, where the rates for non-EU citizens were, respectively, 18.1, 11.3 and 11.2 pp higher than for nationals.

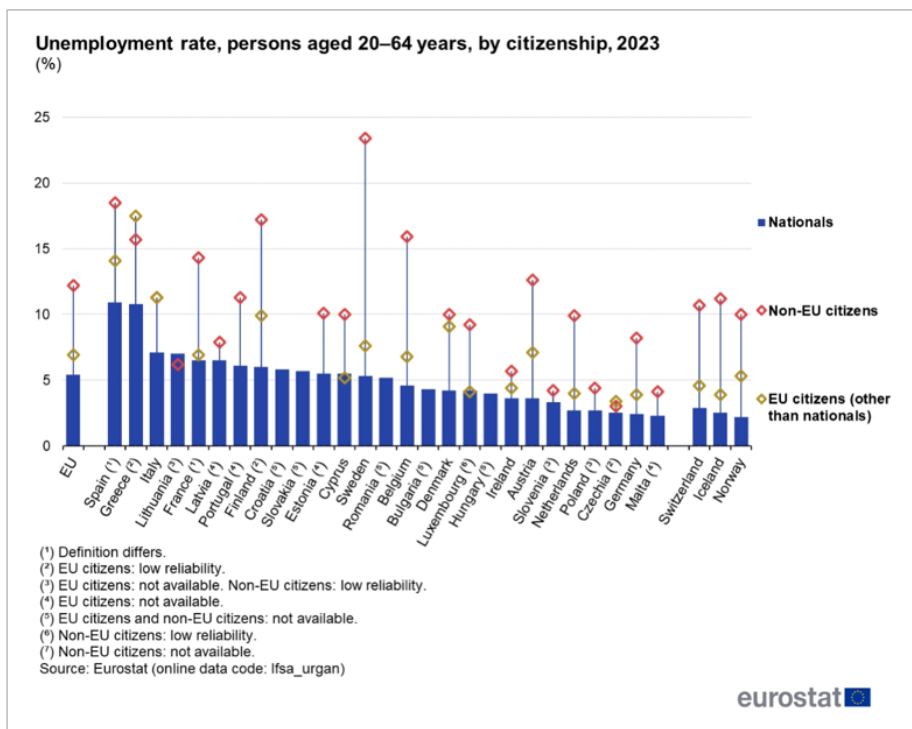
⁶ Some estimates of migrants' employment and unemployment rates are unavailable or deemed unreliable by Eurostat (see notes below each panel of Figure 2). The discussion in this section exclusively refers to reliable estimates.

Figure 2: Employment and Unemployment Rates, by Citizenship and Host Country (Year 2023)

(a) Employment Rate



(b) Unemployment Rate



Source: eurostat. Link:

[https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Migrant integration statistics %E2%80%93 labour market indicators##Overview](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Migrant_integration_statistics_%E2%80%93_labour_market_indicators##Overview)

The differences in employment and unemployment rates among nationals across EU countries reflect persistent disparities in labour demand, industry composition, and labour market institutions in EU Member States. In contrast, the much greater variation in migrants' rates arises from the diverse composition of migrant populations hosted by each country - this includes differences in the share of highly educated individuals, the mix of source countries, and the proportion of refugees and asylum seekers – and from heterogeneity in migration and asylum policies.

2.2.2. A Difficult Integration?

A large body of research has shown **slow and incomplete economic integration of migrants in European countries**, especially those with low education and coming from outside of Europe (mainly Africa and the Middle East).

Employment gaps, job quality and over-education. According to Frattini & Dalmonte (2024), in 2021, migrants in Europe were, on average, **8.6 percentage points less likely to be employed than nationals with similar individual characteristics** (e.g. age, gender, education). The likelihood of employment improves for migrants who have spent more time in the host country. The gap between migrants with less than five years of residence and those who have been in the country for six years or more decreases by about ten percentage points (from 17.7 to 7 percentage points). Additionally, migrants are more concentrated in lower-skilled occupations and are notably absent from mid-level positions. The report also notes that over-education is a significant issue, with 18% of all European nationals and 38.5% of tertiary-educated nationals being over-educated for their jobs. This problem is even more pronounced among highly skilled first-generation migrants, particularly those with foreign qualifications.

Similar patterns of incomplete integration are observed in a recent OECD report on migrant integration (OECD-EC 2023a), which emphasizes that migrants are disproportionately represented among the long-term unemployed and are more likely to hold temporary contracts and part-time jobs if they are employed. Additionally, migrant workers express significantly greater concern about the prospect of losing their jobs compared to nationals.

Gender. We observe an important gender dimension in the difficult integration of migrants in Europe. **Gender gaps in employment rates are larger among the foreign- than the native-born in virtually all EU countries:** only 57% of migrant women in the EU have a job against 73% of their male peers and 65% of native-born women (OECD 2017). Frattini & Solmone (2022) show that the migrant-native difference in employment probability is higher for women than for men in almost all European countries, despite the fact that migrant women tend to be more educated than migrant men. Similarly, Lee et al. (2022) observe that female migrants start with a larger employment gap, but they show that women converge towards the level of nationals more rapidly than male migrants do.

EU and non-EU Migrants. EU migrants tend to be significantly more educated than their non-EU counterparts, and their labour market integration is generally more successful. **Beyond having higher employment rates and lower unemployment rates** (Figure 2), **EU migrants tend to secure more prestigious and better-paid jobs compared to non-EU migrants.** Still, both migrant groups experience substantial occupational downgrading, and EU migrants are only marginally better off than non-EU migrants. EU migrants with foreign education are 20 percentage points more likely to be over-educated than their native counterparts, while this differential rises to 23.5 percentage points for non-EU migrants (Frattini & Dalmonte 2024).

Migrants and Refugees. Refugees represent a **particularly vulnerable population** due to the challenges of displacement, trauma, and potential loss of human capital during their journey to asylum. Unlike other migrants, refugees often lack positive selection in terms of education and skills and typically come from countries with cultural norms and traditions that differ significantly from those of the host nation. These factors contribute to a greater skill disadvantage and a higher risk of discrimination. Additionally, a key distinction between migrant and refugee flows lies in the different nature of these migratory movements. Migration is generally gradual, planned, and dispersed across multiple destinations, while forced displacement occurs in sudden waves, concentrated in a limited number of destination countries over a short period. This concentration intensifies the challenges associated with integration.

A few recent literature surveys have discussed in detail the integration challenges faced by refugees in host countries (Becker & Ferrara 2019, Brell et al. 2020, Bahar, Brough & Peri 2024). A well-established fact is that **the labour market performance of refugees in European countries is significantly weaker than that of comparable non-EU migrants**. Fasani et al. (2022) estimate that **refugees in EU countries are 11.6% less likely to have a job and 22% more likely to be unemployed compared to other migrants with similar individual characteristics**. Additionally, refugees tend to have lower income, poorer occupational quality, and lower labour market participation. These disparities persist up to 10-15 years after arrival in the host countries. Analogous gaps between refugees and migrants are estimated in recent studies that have estimated integration profiles for different migrant groups in Finland (Pesola et al. 2024), Germany (Berbee & Stuhler 2024), Norway (Bratsberg et al. 2014), Sweden (Luik et al. 2018) and the UK (Ruiz & Vargas-Silva 2018). These large and persistent gaps represent a clear call for action. Enhancing labour market integration for refugees would not only improve the conditions of this vulnerable group but also help reduce poverty and inequality within the host country. Additionally, better integration can benefit source countries through increased remittances and social remittances.

2.3. Categories of Migrants and EU policy regimes

The migrant population currently residing in the European Union can be distinguished into four broad groups that are subject to distinct policy regimes:

1. **EU mobile citizens:** These are EU citizens residing in another EU Member State. One of the founding principles of the EU since its inception is the freedom of movement for EU citizens: it includes the rights of movement and residence for workers, the rights of entry and residence for family members, and the right to work in any other Member State and be treated on an equal footing with nationals of that Member State (article 45 of the Treaty on the Functioning of the European Union (TFEU)⁷).
2. **Citizens of the European Free Trade Association (EFTA):** Nationals of EFTA countries (Iceland, Liechtenstein, Norway, and Switzerland) enjoy similar rights to work in the EU as EU citizens.
3. **Non-EU Migrants:** These are citizens of non-EU member states residing in an EU Member State. Non-EU migrants are subject to national legislation regarding entry, residence, and access to work. Nevertheless, the EU has developed the **EU legal migration *acquis*** - whose legal basis is article 79 of the TFEU - defining rules on conditions of entry and residence for certain categories of nationals from non-EU countries, including those who migrate to Europe for work, family reunification or studying purposes. This *acquis* is determined by seven directives: (i) family reunification; (ii)

⁷ Link to the TFEU: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A12016ME%2FTXT>.

long-term residents; (iii) EU Blue Card (for highly qualified migrants); (iv) single permit; (v) seasonal workers; (vi) intra-corporate transfers; (vii) students and researchers. See Annex 1 for further details.

4. **Refugees:** These are foreign nationals who migrate to Europe seeking any type of international, subsidiary or humanitarian protection from conflict, violence and persecution. This group of migrants includes asylum seekers and individuals with convention refugee status, temporary protection or other subsidiary and humanitarian protection status. The EU has developed a common policy on asylum, subsidiary protection and temporary protection (based on article 78 of the TFEU), establishing the Common European Asylum System (CEAS) which has been recently reformed by the New Pact on Migration and Asylum approved in 2024. An important element of the CEAS is the 2011 Temporary Protection Directive that was implemented in 2022 for the first time to offer temporary protection status to Ukrainian citizens fleeing their country after the Russian invasion in March 2022.

3. MIGRANT LABOUR MARKET INTEGRATION: KEY CHALLENGES AND POLICY RESPONSES

This chapter reviews recent academic research on **best practices to integrate migrants, refugees, and asylum seekers** into the labour market by **removing obstacles and helping them to overcome barriers** that hinder their integration paths in host countries.

Review Structure. I organize my review by identifying nine broad integration challenges that migrants and refugees typically face when accessing labour markets in destination countries. First, I examine three general challenges faced by **migrants** which refer to their human capital and its international transferability: language barriers (section 3.1), educational qualifications (section 3.2), and employability hurdles (section 3.3). Next, I discuss the effects on integration of migrants' residential choices (section 3.4). Further, I focus on the labour market interaction between migrant workers, employers and native workers, discussing migrants' bargaining power in negotiating working conditions (section 3.5) and the impact of discriminatory practices and hostile attitudes (section 3.6) on their labour market outcomes. I then turn to the effect of government policies in three key areas: access to welfare state benefits (section 3.7), migration policy (section 3.8) and asylum policy (section 3.9). Table 1 summarises the structure of this review. For each integration challenge, I begin with **theoretical considerations** to explain the potential determinants of current patterns and the possible impact of specific policy interventions. I then explore existing **evidence** and identify key findings that may lead to informed **policy implications**.

Integration Barriers. Note, that **integration barriers can affect several margins of migrants' labour market outcomes**. First, they may **discourage migrants from participating in the labour market and actively looking for a job**, reducing their participation rate. Second, they may reduce the **probability of finding employment** for those who are searching. Third, integration barriers may **constrain the number of hours and the stability of employment relationships** for migrants, confining them to undesired part-time and temporary occupations and hence leading to underemployment. Finally, **barriers can reduce the quality of employment**, leading to jobs which offer low pay, poor working conditions, little recognition of workers' qualifications, etc. Each of the barriers described below can potentially impact all these margins of migrants' labour market integration. The lack of fluency in the host country's language, for instance, may reduce the chances of being employed, as well as those of signing a permanent contract for a full-time position and of accessing well-paid occupations that suit migrants' qualifications. The existence of these barriers explains the patterns of lower employment probability, higher overqualification, and strong occupational segregation in low-paid and temporary occupations that characterize migrants and refugees' labour market integration in Europe relative to native workers (as briefly summarized in Chapter 2).

Table 1: Structure of the Review

GENERAL ISSUE	SPECIFIC ISSUE	SECTION
Language Barriers		3.1
Educational Barriers	Investment in Human Capital	3.2.1
	Occupational Downgrading	3.2.2
Employability Barriers		3.3
Residential Segregation		3.4
Limited Bargaining Power		3.5
Discrimination and Hostile Attitudes	Employers' Discrimination	3.6.1
	Hostile Attitudes in Hosting Societies	3.6.2
Welfare State Access		3.7
Migration Policy	Legal Residence Status	3.8.1
	Temporary and Permanent Visas	3.8.2
	Citizenship	3.8.3
Asylum Policy	Placement Policies	3.9.1
	Waiting Times and Employment Bans	3.9.2

Review Selection Criteria. In writing this review, I adopted the following **three main selection criteria** to choose the studies to be included:

1. **European focus.** Since the focus of this study is on the EU experience, I discuss **studies and evidence produced on European countries**, and, occasionally, on other advanced economies such as the United States⁸.
2. **Quantitative policy evaluations.** I focus my attention on **policy interventions** which were subject to a **rigorous quantitative evaluation**, in which researchers aimed at **estimating causal policy parameters of interest**, rather than simple correlations. This perspective responds to the joint call by the OECD, IOM, World Bank, and IMF for a more rigorous assessment of integration policies, emphasising the need for quantitative evidence on migrant integration outcomes, careful benchmarking, and systematic evaluations of implemented policy interventions (OECD et al. 2016).
3. **Independent academic research.** I primarily consider **studies authored by independent researchers and published in leading journals in economics, political science, sociology,**

⁸ For a description of the experiences of low- and middle-income countries, I refer to, among others, Bahar, Brough & Peri (2024).

migration studies, demography, management and organization science - all of which follow a rigorous peer-review process - to ensure that the evidence discussed is credible, unbiased, and methodologically coherent. I occasionally include some unpublished studies from authors with a proven track record of independent research of outstanding quality. My review includes over 160 studies.

3.1. Language Barriers

KEY FINDINGS

- **Language Proficiency and Economic Success:** There is a positive correlation between language proficiency in the host country and labour market success among migrants, indicating that language skills are a key determinant of socio-economic integration.
- **Mixed Evidence for Migrants:** Policy interventions aimed at enhancing language skills among migrants have shown mixed results, with some studies indicating that while language training increases job search activities, it does not always lead to higher employment rates due to insufficient improvements in language fluency.
- **Positive Effects for Refugees:** In contrast, language training programs for refugees have demonstrated substantial positive effects, significantly increasing employment probabilities and earnings, as well as benefiting their children's school performance.

Language is a crucial skill that complements the existing abilities of migrants and refugees, unlocking better educational and occupational opportunities for them in host countries. A substantial body of research has documented that the **level of language proficiency and labour market success are positively correlated among migrants** (Chiswick 1991, Dustmann & van Soest 2001, Dustmann & Fabbri 2003, Chiswick & Miller 2015), suggesting that language is a key determinant of socio-economic integration⁹.

Which types of policy interventions have proven effective in enhancing migrants' language skills?

- **Migrants. The evidence is mixed for migrants.** A study on enhanced language training in France found that while the training increased job search activities and labour force participation among migrants, it did not lead to higher employment rates due to insufficient improvements in language fluency. The intervention did, however, enhance participants' knowledge of local services like employment agencies and credential recognition (Lochmann et al. 2019). Another evaluation of a Swedish monetary incentive program for language learning showed no overall improvement in student achievement, though it was beneficial for high-skilled migrants with lower learning costs (Aslund & Engdahl 2018).
- **Refugees.** In contrast, **substantial positive effects of language training for refugees have been observed.** One study demonstrated that expanded language programs in Denmark led to significant gains in employment probabilities and earnings, and had beneficial impacts on refugees' children, including improved school performance and reduced juvenile crime (Foged,

⁹ Note, however, that a positive correlation between language fluency in the host country's language and labour market outcomes can also be determined by initial selection (i.e. migrants self-select into countries whose language they speak and where they face fewer integration barriers) or by migrants' unobservable characteristics (i.e. migrants who are more willing to integrate and who have stronger learning skills are faster in acquiring fluency and in integrating). Moreover, labour market integration can foster language acquisition through increased interaction with nationals (e.g. colleagues and customers).

Hasager, Peri, Arendt & Bolvig 2022, Foged et al. 2024). Similarly, research in Switzerland revealed that refugees who spoke the local language experienced significant employment boosts when placed in French-speaking regions (Auer 2018, Schmid 2023). A possible explanation for the stronger effects observed among refugees compared to migrants may be that the former group typically exhibits lower initial fluency in the language of the host country than the latter.

3.2. Educational Outcomes and Skill Downgrading

KEY FINDINGS

- **Value of Host Country Education:** Educational qualifications obtained in host countries are more valuable for migrant labour market integration than those acquired in origin countries, largely due to better correlation with language proficiency and fewer challenges in qualification recognition.
- **Investment in Human Capital:** Facilitating post-migration investment in human capital can improve the average educational attainment of migrants and ease their entry and progression in the labour market.
- **Barriers to Skill Transferability:** A significant obstacle to migrant economic integration is caused by barriers to skill transferability, including challenges in assessing foreign skills, and regulatory obstacles to recognizing foreign qualifications.
- **Impact of Qualification Recognition:** Recognition of foreign qualifications can significantly enhance labour market outcomes for migrants. Simplifying the recognition process may deliver high returns.

3.2.1. Improving Educational Outcomes

There is clear evidence that **educational qualifications obtained in host countries are more valuable for migrant integration than those acquired in origin countries** (Friedberg 2000, Bratsberg & Ragan 2002). This can be attributed to several factors, including the stronger correlation between host country education and language proficiency, as well as the avoidance of challenges related to the assessment and recognition of foreign qualifications. **Facilitating post-migration investment in human capital** should, therefore, serve the dual purpose of raising the average educational attainment of the migrant population while also enabling smoother labour market entry and career progression for migrants. To the best of my knowledge, however, rigorous evidence about policies to incentivise post-migration investment in human capital is lacking. Very few studies have been conducted on the determinants of these investments. A study in the Netherlands shows that the propensity to make such investments is higher among migrants with higher pre-migration education, those who migrated for family reasons, and those who arrived during periods of high unemployment (Van Tubergen & van De Werfhorst 2007)¹⁰.

¹⁰ In contrast, far more attention has been devoted to migrant children, who often lag behind native children in educational achievements. The evidence has focused on documenting the negative effects that early school tracking systems have on children from disadvantaged backgrounds (Brunello & Checchi 2014) and on interventions to foster the educational trajectories of migrant children (Carlana et al. 2022).

3.2.2. Skill Downgrading, Qualifications Recognition and Regulated Occupations

A significant portion of the disparity in labour market outcomes between migrants and nationals is attributed to **barriers affecting the transferability of migrants' skills** (Hendricks & Schoellman 2017). These barriers result in underemployment and skill downgrading. The primary determinants of this issue include inadequate language fluency (section 3.1), difficulties in employers' assessment of foreign skills (section 3.6.1), and regulatory barriers in recognising foreign qualifications.

Occupational licensing rules are common and often restrict migrants from accessing certain jobs. For example, in 2015, up to 22% of EU workers held occupational licences (Koumenta & Pagliero 2019). **Recognition of foreign qualifications can significantly improve migrants' labour market outcomes.** In Germany, migrants who obtained full qualification recognition saw a 19.8% increase in wages and a 24.5 percentage point higher employment rate compared to those without recognition (Brucker et al. 2021). This recognition mainly helps migrants enter previously inaccessible regulated occupations. The **process of obtaining qualification recognition can be complex and costly, leading to low application rates** (OECD 2017). The Federal Recognition Act (*Anerkennungsgesetz*) in Germany, implemented in April 2012, aimed to streamline this process for non-EU migrants. This reform led to a 15% increase in recognition applications, an 18.6% increase in employment, and a 4% rise in wages in regulated occupations (Anger et al. 2024). Improvements were also noted in unregulated occupations.

3.3. Employability and Active Labour Market Policies

KEY FINDINGS

- **ALMPs Enhance Employment Opportunities:** Active Labour Market Policies (ALMPs) generally improve employment probabilities for participating workers, especially for those who are less employable, such as migrants and refugees.
- **Benefits of Tailored Programmes:** Programmes specifically tailored for participants, which combine language training and personalized integration plans, tend to yield more significant positive outcomes in employment and earnings for migrants than programmes uniformly offered to everyone.
- **Effective Support for Refugees:** ALMPs are particularly effective for refugees, helping to improve their employment rates and engagement in training opportunities.
- **Potential Trade-offs in Policy Design:** There are important trade-offs in ALMP strategies; for instance, a focus on immediate employment can sometimes undermine longer-term goals, such as language acquisition and job stability.

In addition to facilitating human capital accumulation and skill recognition for migrants (as discussed in sections 3.1 and 3.2), support is often needed to help them navigate the job market in host countries. As newcomers, they may lack the knowledge and experience to effectively find job opportunities and communicate their skills.

Evidence on ALMPs. A recent meta-analysis of over 200 studies on the effects of Active Labour Market Policies (ALMPs) concludes that **ALMPs generally improve employment probabilities of participating workers**, with effects becoming evident 2-3 years post-programme (Card et al. 2017). These **benefits are more pronounced for programmes focused on human capital and are particularly beneficial for less employable workers, such as migrants and refugees.** Properly

designed ALMPs are crucial; **poorly designed ones may lead to ineffective outcomes and "lock-in effects"**, where workers' time is wasted on unproductive activities.

Have ALMPs been successful in increasing the employability of migrants and refugees in Europe?¹¹

- **Migrants.** In Denmark, certain ALMPs, such as wage subsidies and language training, were effective in increasing employment for migrants, whereas other types showed negative "lock-in effects" (Clausen et al. 2009). In Finland, a reform **shifting from a uniform set of programmes to individualised "integration plans"** led to a 50% increase in migrant earnings and reduced welfare dependence (Sarvimaki & Hamalainen 2016)¹².
- **Refugees.** Several studies have shown that **ALMPs are effective for refugees**. In Sweden, intensive counselling and coaching improved employment probabilities and engagement in training programmes (Joona & Nekby 2012). In Germany, job search assistance by an NGO also led to positive employment outcomes (Battisti et al. 2019). An intervention in Sweden combining language training, work practice, and job search assistance yielded similar benefits (Dahlberg et al. 2024). In Denmark, a policy matching refugees to jobs with local labour shortages after basic training resulted in significant employment gains (Foged, Kreuder & Peri 2022). In the Netherlands, an additional compulsory component of the integration plan offered to refugees - which emphasised practical skills such as applying for jobs, preparing a CV and undertaking a (mock) job interview in Dutch - led to sizeable improvements in employment rates, hourly wages and job-matches quality (Cole et al. 2024). However, a couple of studies in Denmark reveal potentially **important policy trade-offs**. A *work-first policy* that increased job search and on-the-job training requirements accelerated employment for men, but often led to precarious jobs with few hours (Arendt 2022). Second, a study on early job placements and language training in Denmark highlighted trade-offs between *work-first* and *language-first* strategies: while early employment improved language exposure, it also led to insufficient formal language training, resulting in only temporary employment gains and lasting negative effects on language acquisition (Arendt & Bolvig 2023).

¹¹ See Butschek & Walter (2014) for an early review of this literature.

¹² The main change introduced by the reform required employment offices to begin preparing individualised integration plans for non-working immigrants who had resided in Finland for less than three years. These plans were developed in a joint meeting with a caseworker, the immigrant, and, when necessary, an interpreter. The goal was to identify a tailored sequence of training and other measures best suited to each immigrant's skills and circumstances. Given the diversity within the immigrant population, the integration plans were equally varied. They could include language courses, courses specifically designed for immigrants (such as civic and workplace skills training), vocational training, subsidised job placements, rehabilitation, and more. See Sarvimaki & Hamalainen (2016) for further details.

3.4. Residential Segregation and Ethnic Enclaves

KEY FINDINGS

- **Tendency for Residential Segregation:** Migrants often settle in areas with established communities from their region or country of origin, creating residential segregation and ethnic enclaves, usually in urban and economically disadvantaged areas.
- **Positive Network Effects on Refugees' Employment:** Ethnic networks initially support migrants by providing social connections that facilitate access to employment and improve job match quality, leading to better integration outcomes in the short run.
- **Dynamic Effects of Ethnic Networks:** While these networks initially aid economic integration, they may later restrict educational investments, reduce native contact, and confine migrants to limited job sectors, potentially leading to a "ghetto effect" with negative long-term consequences.
- **Quality and Congestion of Networks Matter:** The benefits of ethnic networks depend on the network's socioeconomic profile; networks with high employment and earnings histories are beneficial, while high shares of undocumented individuals or an influx of new arrivals may result in job competition and reduced integration outcomes.

When choosing where to live in their destination country, migrants often prefer areas with a significant presence of others from their region or country of birth (Bartel, 1989). This **tendency to settle in line with the historical patterns of previous immigrant cohorts often leads to residential segregation and the creation of ethnic enclaves**. Further, migrants tend to settle in areas that offer more employment opportunities - such as cities - but, at the same time, they look for low housing prices. In most host countries, therefore, the proportion of migrants in the population is higher in urban than rural areas, particularly in densely populated zones and large metropolitan areas as opposed to smaller cities. Within cities, immigrants are often overrepresented in poorer neighbourhoods and on the outskirts (Liebig & Spielvogel 2021). Notably, not all residential segregation can be attributed to migrants' choices and preferences. The literature has documented the influence of native citizens' behaviour in two key ways: (i) natives may choose to leave areas perceived as excessively ethnically segregated, thereby increasing the level of segregation (a phenomenon known as "white flight" or "native flight"; Card et al. (2008), Saiz & Wachter (2011)), and (ii) natives may discriminate against migrants in the housing market, preventing them from accessing properties in non-ethnically segregated areas (Ahmed & Hammarstedt 2008, Bosch et al. 2010).

The Effects of Ethnic Enclaves: Networks or Ghettos? A wide literature has shown that networks of friends, neighbours and former colleagues can effectively help workers secure employment and find better-paid jobs (Bayer et al. 2008, Cingano & Rosolia 2012, Schmutte 2015, Cappellari & Tatsiramos 2015, Dustmann et al. 2015, Glitz 2017). According to this evidence, migrants who move into ethnic enclaves should thus benefit from a positive "network effect" on their integration outcomes. The effects of immigrant concentration in ethnic enclaves, however, appear slightly more complex. **Evidence from European countries suggests that ethnic networks often aid integration in the short run**. For example, in Sweden, the earnings of low-skilled refugees increase with greater ethnic concentration in their allocated areas (Edin et al. 2003). Similarly, in Denmark, refugees placed in areas with larger ethnic communities have higher earnings (Damm 2009), and in Switzerland, refugees assigned to locations with significant co-national presence are more likely to enter the labour market (Marten et al. 2019). In

the UK, the residential proximity of individuals from the same ethnic group significantly increases the probability of finding a job through social networks (Patacchini & Zenou 2012). This positive network effect is explained by the network's ability to disseminate job-related information, which facilitates job matches and improves their quality. Some studies, however, found detrimental effects of ethnic networks on migrant labour market integration (Boeri et al. 2015). This literature has uncovered three key results:

1. *Effects are Dynamic:* While ethnic networks initially facilitate economic integration, they may later hinder investments in education, reduce contact with the native-born and confine migrants to a narrow set of job options, leading to zero or even negative long-run effects (Battisti et al. 2022, Foged et al. 2024). In other words, **a positive "ethnic network effect" in the short run may become a detrimental "ghetto effect" in the medium-long run:** the local neighbourhood can provide new opportunities but it can also constrain integration outcomes.
2. *"Network Quality" matters:* migrants from ethnic groups that have longer tenure in the host country, higher average earnings or higher employment rates experience greater benefits from exposure to the ethnic network (Edin et al. 2003, Munshi 2003). The network effect, instead, can turn negative if there is a large share of undocumented migrants in the network (Boeri et al. 2015).
3. *Support or Competition?* While network members provide information and support to new entrants, they also compete for the same limited pool of jobs. In the U.S., Beaman (2011) show that refugees benefit from being resettled in areas with a larger established ethnic network ("information effect"), but their labour market outcomes deteriorate if they are assigned to areas which are receiving higher numbers of resettled refugees ("congestion effect").

3.5. Limited Bargaining Power, Wages and Working Conditions

KEY FINDINGS

- **Limited Bargaining Power:** Migrants often have limited bargaining power when negotiating wages and employment conditions due to constraints in their job search, such as language barriers, lack of recognized qualifications, and restrictive immigration statuses, which can lead to accepting lower wages and poorer job conditions.
- **Monopsonistic Discrimination:** Employers may exert greater monopsonistic power over migrant workers, leading to monopsonistic discrimination that depresses wages and deteriorates job quality, as migrants may have fewer alternative employment options than native workers.
- **Temporary Visa Limitations:** Employer-sponsored temporary residence visas can further enhance employers' monopsonistic power, restricting labour market competition and contributing to lower wages and potential rights violations, particularly among low-skilled migrants.

In European countries, employed migrants are generally observed to earn lower wages and accept less desirable working conditions than native workers with similar skills and work experience, a disparity referred to by researchers as **migrant-native gaps** (Algan et al. 2010) or **ethnic penalties** (Cantalini et al. 2023). The barriers discussed in the preceding sections - such as limited language fluency, lack of recognition of qualifications, and job search constraints - can all contribute to generating and sustaining these gaps and penalties. In this section, we explore an additional explanation: the **limited**

bargaining power migrant workers often have when negotiating wages and employment conditions with employers¹³. While Chapter 4 examines the role of trade unions in improving migrants' labour market conditions, here we focus on the implications of **restricted job opportunities for migrant workers and their impact on their labour market outcomes**.

Monopsonistic Power. Economic theory suggests that workers with a less elastic labour supply - i.e., those facing greater constraints in their job search - are more likely to accept lower wages and poorer working conditions, thus granting employers increased bargaining power (technically called "monopsonistic power")¹⁴. Migrants often face more constraints than nationals in their job search due to language, education, and employability barriers, as well as restrictions on residence and working status. These limitations can lead migrants to accept job offers which comparable native workers might refuse. **When employers hold greater monopsony power over migrants than over native workers, this can result in *monopsonistic discrimination* (Robinson 1933), which may depress migrants' wages and worsen the quality of their occupations.** Indeed, Hirsch & Jahn (2015) find that migrants in Germany have a less elastic labour supply compared to nationals, contributing to generating a significant wage gap.

Employer-sponsored visa schemes. Temporary residence visas tied to specific employers - such as those commonly issued in guest workers schemes - **can give employers substantial monopsonistic power** (Norlander 2021). While such sponsorships can facilitate efficient matches between labour supply and demand, they also tend to **"lock" foreign workers with their sponsoring employers**. These types of visas are often criticized for restraining labour market competition, lowering migrant wages, and facilitating labour rights violations. While high-skilled migrants might receive better rights and wages, low-skilled migrants frequently face worse conditions and fewer rights¹⁵. The evidence indicates that **concerns regarding exploitation and human rights violations** are well-founded for low-skilled migrants involved in guest worker programmes (see, among others, Sommaribas et al. (2017) and Amnesty-International (2012) for the European Union; Blaydes (2023) and Naidu et al. (2016) for evidence from the Gulf States). However, the evidence suggests that temporary schemes for high-skilled migrants can also be problematic. Even if instances of maltreatment and abuse are rare, high-skilled migrants may still be disadvantaged by their temporary status and the excessive bargaining power held by employers. In the U.S., high-skilled migrants on temporary H-1B visas face limited job mobility and lower earnings until they secure permanent status (Hunt & Xie 2019, Wang 2021), while the prospect of obtaining a green card can significantly increase their earnings (Mukhopadhyay & Oxborrow 2012).

¹³ Note that migrants' consumption behaviour can also contribute to explaining why migrants tend to exhibit lower reservation wages than natives (i.e., higher willingness to accept lower wages). Migrants tend to allocate significant portions of their income to their home countries: they send remittances to support the consumption and educational needs of family members left behind, save and invest in their communities of origin with the intention of returning, or simply spend their holidays at home (Rapoport & Docquier 2006, Dustmann & Gorlach 2016). As a result, migrants take into account not only the prices in the location where they live but also the prices in their home countries, which are typically lower (if they move from poorer to richer countries). This implies that a given nominal wage offered by employers in the host country may be perceived as higher in real terms by migrants compared to native workers, who spend their entire income domestically. In other words, differences in consumption patterns and price levels between the source and host countries can partly explain why migrants tend to have lower reservation wages than native workers (Adda et al. 2022, Dustmann et al. 2023). See Annex 1 for definitions of nominal, real and reservation wages.

¹⁴ A monopsony occurs when there is a sole, or a dominant, employer in a labour market. This means that the employer has substantial bargaining power over its potential employees.

¹⁵ Ruhs & Martin (2008) argue that the size of the potential supply of international migrants determines the extent of rights migrants are granted by destination countries after admission. Since high-skilled migrants are relatively scarce, destination countries compete in the global "battle for talents" by offering both high wages and substantial rights. The almost unlimited supply of low-skilled workers, instead, allows host countries to offer jobs with low wages and few rights.

3.6. Discrimination and Hostile Attitudes

KEY FINDINGS

Employers' practices:

- **Widespread Discrimination in the Hiring Process:** Correspondence studies indicate that ethnic minority applicants experience significant discrimination during the hiring process. This discrimination is exacerbated for migrants due to additional biases related to their foreign status.
- **Challenges in Overcoming Discrimination:** Evidence suggests that providing additional information or strong signals of qualifications may not effectively overcome discrimination faced by migrants. Even highly skilled applicants with relevant credentials and experience can still encounter bias, indicating that discrimination often stems from employers' prejudice rather than information deficits.
- **Effective Government Interventions:** Certain government interventions, such as anti-discrimination legislation and affirmative action, have been shown to reduce discrimination in the labour market. While blind hiring practices can help, their effectiveness may vary, sometimes disadvantaging minority candidates.

Citizens' Attitudes:

- **Widespread Misperceptions:** Native populations often overestimate the number of migrants and misperceive their characteristics, leading to negative attitudes towards immigration.
- **Mixed Evidence on Information Impact on Attitudes:** Correcting these misperceptions can potentially improve attitudes, but studies show mixed results regarding the effectiveness of information campaigns.
- **Narratives More Effective Than Facts:** Information campaigns focused on correcting narratives about migrants tend to be more effective than those providing mere factual corrections.
- **Important Shortcomings of Information Campaigns:** The effects of such campaigns are often short-lived; they increase the salience of immigration, potentially generating negative reactions; further, there is insufficient evidence that improved public attitudes significantly enhance migrant economic integration.

Migrants' integration into the labour market of host societies is significantly shaped by the attitudes, prejudices, and perceptions held by the native population. A discriminatory or hostile environment can severely hinder successful integration efforts. In this section, we explore these potential barriers, beginning with a focus on employers (section 3.6.1) and then extending the discussion to the broader public (section 3.6.2).

3.6.1. Employers' Discrimination

Theories of Discrimination. In addition to the *monopsonistic discrimination* discussed in the previous section, two main theories of discrimination have been developed:

1. **Taste-based discrimination:** It occurs **when individuals harbour strong prejudices against certain groups and prefer not to interact with them** (Becker 1971). Racist and xenophobic employers might reject applicants from ethnic minorities or migrant backgrounds or offer them inferior wages and conditions. Even non-prejudiced employers may discriminate if their employees or customers hold hostile views. Tackling this type of discrimination requires regulatory measures, such as anti-discrimination laws, affirmative action and awareness campaigns (Bertrand & Duflo 2017).
2. **Statistical discrimination:** It **occurs when employers lack information about some groups of workers** - for instance, migrants whose qualifications are hard to assess - and thus rely on group averages to judge individuals' productivity (Phelps 1972, Arrow 1971). For example, an employer might reject a qualified applicant based on negative group stereotypes. Policies that improve skill signalling, such as credential recognition, or that ease employer-employee matching can help reduce information barriers and improve integration.

Evidence from Correspondence Studies. Extensive evidence, mainly from correspondence studies, shows that **ethnic minority workers face significant discrimination in the hiring process compared to those with a mainstream ethnic background**¹⁶. This evidence typically suggests that ethnic minorities receive 30-50% fewer positive responses than similar majority candidates when applying for a job (see, among others, Bertrand & Mullainathan (2004))¹⁷. **Migrants face heightened discrimination due to compounded biases linked to their foreign status.** In France, applicants with Moroccan names receive far fewer responses than those with French names (Duguet et al. 2010), while in Sweden, applicants with Swedish names receive 50% more call-backs than those with Middle Eastern names (Carlsson & Rooth 2007). Moreover, Bartos et al. (2016) attribute lower call-back rates for minorities to "attention discrimination," showing that HR managers allocate less attention to resumes with minority names, reducing selection chances. In Belgium, however, ethnic discrimination disappears in occupations facing labour shortages (Baert et al. 2015)

Reducing Discrimination. Can migrants overcome discrimination by providing more information or stronger signals? Evidence suggests this may not be effective. In Canada, highly skilled migrant applicants with strong qualifications - such as language fluency, multinational firm experience, and education from selective schools - still faced discrimination, with no improvement in call-back rates, indicating taste-based discrimination rather than information barriers (Oreopoulos 2011). Similarly, in Sweden, migrants continued to experience significant discrimination even when providing signals of productivity or integration, such as relevant job experience or Swedish citizenship. The ranking of response rates followed ethnic hierarchies, unaffected by additional information (Vernby & Dancygier 2019).

Government Interventions. Which government interventions can reduce discrimination in the labour market? The evidence on the efficacy of government interventions to reduce discrimination

¹⁶ Correspondence studies involve sending two identical applications to advertised job openings, differing only in the applicant's name - one with a native-sounding name and the other with a foreign-sounding name. This approach ensures that all other productive characteristics are held constant. Ethnic discrimination is then measured by comparing the difference in call-back rates for interviews between the two groups.

¹⁷ Bertrand & Duflo (2017) provide an excellent review of field experiments on discrimination. Lippens et al. (2023) develop the most recent meta-analysis of correspondence studies on hiring discrimination.

against migrants is limited and fairly suggestive. The literature has explored three types of policies:

1. *Anti-discrimination legislation*: Evidence suggests that **anti-discrimination laws can be effective**. A meta-analysis of over 700 correspondence studies shows that discrimination in Europe decreased following the introduction of two EU anti-discrimination directives (2000/43/EC and 2000/78/EC) (Zschirnt & Ruedin 2016). Further, national anti-discrimination policies have been found to significantly improve migrant integration, particularly for female migrants (Platt et al. 2022).
2. *Affirmative action*: **Promoting diversity in leadership roles and increasing minority representation in the workplace can help reduce discrimination**. The contact hypothesis proposed by Allport (1954) suggests that interactions between majority and minority groups can reduce prejudice, provided four conditions are met: (i) equal status, (ii) shared goals, (iii) cooperation, and (iv) institutional support. These conditions are often met at workplaces, where native and migrant workers are required to collaborate towards a common goal. Meta-analysis evidence supports this theory, showing that intergroup contact reduces prejudice in 94% of studies reviewed (Pettigrew & Tropp 2013).
3. *Anonymous applications*: Blind hiring procedures, which remove identifying information from resumes, have been tested in several countries. While anonymisation increased interview invitations for women and non-Western applicants in a Swedish experiment, the effect did not extend to migrants (Aslund & Skans 2012). In France, anonymised resumes unexpectedly reduced call-back rates for minority candidates, possibly because firms that would have otherwise positively discriminated were unable to do so (Behaghel et al. 2015). In Germany, anonymised resumes disadvantaged women who might have been favoured in non-anonymous applications (Krause-Pilatus et al. 2012). These findings suggest that **anonymisation can reduce discrimination at the application stage but may also prevent positive discrimination, leading to mixed results**.

3.6.2. Hostile Attitudes Among Host Country Citizens

General attitudes towards migrants in host countries undoubtedly impact their social integration and can also significantly affect their economic and labour market integration. Host country citizens are potential employers, as discussed in the previous section, but they are also neighbours, co-workers, line managers, clients, customers and suppliers. Their perceptions and biases will inevitably influence migrants' ability to integrate economically (see section 3.9.1 for the effects of residents' attitudes on refugee integration). Additionally, host country citizens are voters, and their electoral choices will directly determine the policies implemented, including those on migration and asylum.

A growing body of literature highlights that **native populations hold significant misperceptions about migrants**. Not only natives tend to systematically overestimate the number of migrants residing in their countries (Herda 2010, Grigorieff et al. 2020, Alesina et al. 2022), but they exaggerate what they perceive to be negative traits of the migrant population. A recent study on natives' perceptions about migrants in six major receiving countries (United States, UK, Italy, France, Sweden, and Germany) found that natives believe migrants predominantly come from culturally distant regions, depend more heavily on the welfare state, and are less educated, less employed, and poorer than they actually are (Alesina et al. 2022). Such exaggerations about the size and characteristics of migrant populations can fuel concerns and hostility towards immigration (Quillian 1995). Correcting these misperceptions might improve attitudes towards immigration. Some recent studies have **tested the effect of providing accurate information to correct citizens' misperceptions**. In some cases, although the information successfully corrected factual errors, it failed to improve attitudes towards migrants (Hopkins et al. 2019, Alesina et al. 2022). However, more encouraging results are found when the information focuses on correcting narratives - such as challenging the belief that migrants take jobs

from natives (Haaland & Roth 2020) - or by providing precise data on migrant characteristics, such as the education levels of refugees (Lergetporer et al. 2021). Studies that correct both the perceived proportion of migrants and their actual characteristics have also shown positive effects (Grigorieff et al. 2020). The academic literature has identified and analysed **key limitations of information campaigns on immigration**. First, such interventions may inadvertently increase the salience of immigration issues while attempting to correct misconceptions. Several studies have suggested that **heightened salience can trigger negative reactions towards migrants**, potentially counteracting the positive effects of reducing misinformation (Alesina et al. 2022, Barrera et al. 2020). Second, the effects of information campaigns tend to be short-lived (Bursztyn & Yang 2022). While some studies find that these effects persist for a few weeks post-intervention (Grigorieff et al. 2020), they often weaken over time, indicating that individuals tend to revert to their original attitudes. More durable effects on natives' attitudes and policy preferences have been observed in studies focusing on sustained changes in media reporting about migrants (Djourelouva 2023, Keita et al. 2024), suggesting that the public requires more than a single information campaign to shift their perceptions. Lastly, and crucially for this study, even if information campaigns were successful in permanently improving public attitudes towards migrants, we lack evidence to suggest that these changes would be substantial enough to enhance migrant economic integration significantly.

3.7. Welfare State Access: Income Support and Migrants' Labour Supply

KEY FINDINGS

- **Migrants' Fiscal Impact:** While concerns about migrants' welfare dependency are common, evidence indicates a positive fiscal impact: migrants in the EU contribute more to public finances than they receive. This pattern, however, is projected to shift in the long run with the migrant population ageing.
- **Migrants' Vulnerability and Welfare Need:** Due to lower incomes, smaller support networks, and less stable employment, migrants and refugees face heightened risks of unemployment and poverty, particularly in economic downturns. Welfare support can provide necessary income stability, potentially allowing migrants to pursue training and job opportunities that enhance their long-term employment prospects.
- **Impact of Welfare on Migrants' Labour Market Supply:** Welfare benefits may lower immediate employment rates by reducing short-term work incentives but can foster better quality employment outcomes over time, aiding migrants to secure more stable and higher-paying roles.
- **Unintended Effects of Welfare Policy Reforms on Migrants:** Policies restricting migrant access to welfare and its generosity may initially boost employment but produce diminishing effects over time, leading to increased poverty and adverse educational impacts on children.

Migrants' Welfare Dependency. Despite widespread concerns among voters about migrants and refugees being a burden on the welfare state (Dustmann & Preston 2007, Boeri 2010), the **evidence regarding their welfare reliance and net fiscal impact is mixed**. Recent analyses indicate that Extra-EU migrants are less likely to receive contributory benefits but more likely to rely on non-contributory welfare schemes (Conte & Mazza 2019). Overall, migrants in the EU contribute more to public finances than they receive in benefits, surpassing the contributions of native citizens (Fiorio et al. 2024).

However, as both native and migrant populations age, migrants - especially those from outside the EU - are projected to incur higher fiscal costs compared to nationals (Christl et al. 2022).

Trade-Offs in Welfare Support. There are **compelling reasons to support the income of migrants and refugees**, who tend to have lower incomes, more limited support networks, and weaker labour market attachment. This vulnerability exposes them to greater risks of unemployment and poverty during economic downturns (Dustmann et al. 2010), as demonstrated during the COVID-19 pandemic (Fasani & Mazza 2023). However, there is **concern that welfare support may foster excessive dependence on the welfare state and reduce labour market participation**. Research indicates that access to welfare programs offering cash assistance can lower employment probabilities and wages by decreasing the motivation to work (Moffitt 2003). Nonetheless, income support can also facilitate investment in training and job searches, potentially leading to better and more stable employment opportunities (Nekoei & Weber 2017). Restrictive reforms on refugees' and migrants' access to welfare are often justified by the aim of increasing their labour market participation. However, cash assistance could offer them the financial means to invest in skills, training, and human capital, which may enhance their labour market outcomes over time or help them secure better jobs. The evidence on the labour market effects of cash transfers for migrants and refugees is mixed. However, most studies suggest that **welfare support can help them secure better-paid and more stable jobs**. In the U.S., no significant differences between native and migrant women in their response to reduced welfare generosity have been observed, with both groups increasing employment and labour market attachment (Kaestner & Kaushal, 2005). Another study finds that while more generous cash assistance does not alter employment levels among refugees, it does enable them to secure better-paid jobs (LoPalo, 2019). In Europe, evaluations of a Danish reform, which implied a drastic reduction in welfare benefits for refugees, show that the policy initially doubled labour earnings and raised employment rates (Dustmann et al. 2024). However, the reform's short-run effects quickly diminished, and within five years its impact on employment was negligible. Refugees were more likely to fall below the poverty line and commit crimes, while children exposed to the reform experienced negative impacts on education and future earnings (Dustmann et al. forthcoming).

3.8. Migration Policy Design: Legal Status, Permanent Residency and Citizenship

KEY FINDINGS

Legal Residence Status:

- **Legal Status Enhances Wages and Job Mobility, but Effects are Mixed on Employment Probability:** Lack of legal residence status restricts migrants to low-paying, unstable informal sector jobs, reducing their bargaining power. Legalisation programs can boost wages, job mobility, and stability, yet employment probability outcomes vary as regularised migrants may command higher wages and face increased employment costs for employers.
- **Legalisation Programs Tend to Benefit Migrants' Earnings and Mobility:** Studies across the U.S. and Europe consistently show that legalised migrants experience better wages and increased job mobility, enabling transitions to higher-paid sectors and better employment relationships.
- **Host Country Gains from legalisation:** Economic impacts of legalisation extend beyond migrants. Legalisation programs have been linked to positive outcomes for GDP growth and tax revenues, without negative effects on native workers. Additionally, access to better labour market opportunities can lead to decreased crime rates among legalised migrants and higher local consumption, supporting the broader economy.

Permanent Residency Status:

- **Temporary Visas Generate Damaging Uncertainty:** Migrants with temporary status face uncertainty around visa renewal, which can reduce their motivation to invest in host-country-specific skills and deter potential employers from hiring.
- **Short-Term Employment Gains Vs Long-Term Educational Investment:** While temporary status can improve short-term employment outcomes, it may also lead to reduced educational and skill investment, limiting migrants' future opportunities.

Citizenship:

- **Naturalisation Policies and Integration Incentives.** Strict naturalisation requirements, intended to encourage integration, can have the opposite effect, discouraging migrants from investing in host-country skills if criteria are perceived as unattainable.
- **Citizenship Can Enhance Economic Outcomes.** Acquiring citizenship tends to improve migrants' job attachment, wages, and social integration, contributing positively to their long-term economic stability and attachment to the host country.
- **Larger Economic Benefits for More Vulnerable Migrant Groups, such as Refugees.** While citizenship substantially benefits more vulnerable migrant groups with insecure job prospects, established migrants with stable employment histories see fewer economic gains from naturalisation. Granting citizenship to refugees has a particularly high impact on their labour market success, helping to overcome barriers to employment.

Host countries regulate access to legal rights for foreign workers and residents and how difficult and costly it is to achieve such entitlements. This area of migration policy has major implications for the integration outcomes of migrants and refugees: Legal rights not only facilitate access to the formal labour market but are also essential for securing access to healthcare, education, housing, and other government services. In this section, we discuss the effects of being granted legal status (section 3.8.1), permanent residence status (section 3.8.2), and host country citizenship (section 3.8.3) on migrant labour market integration.

3.8.1. Legal Residence Status

Managing Undocumented Migration. Host country governments set clear legal frameworks for migration, yet **many major destination countries still host significant undocumented populations, including visa overstayers, rejected asylum seekers, and those who entered illegally.** Estimates suggest that between 1 and 3 million undocumented migrants may reside in the EU¹⁸. This population poses a policy dilemma. Strict enforcement advocates argue for deportation to uphold the rule of law, but this approach faces legal, humanitarian and practical challenges. Non-refoulement principle prohibits returning individuals to dangerous situations, and mass deportations are costly and inefficient (Fitz et al., 2010; AIC, 2024). Moreover, undocumented migrants are often employed and contribute economically, making blanket expulsions counterproductive for hosting countries. Not only deportations would suddenly end employment relationships – rather than taking them "out of the shadows" as a legalization would do – but they would also damage native workers whose jobs are complemented by those carried out by undocumented immigrants and they would reduce local demand for good and services, potentially driving down natives' employment rates (East et al., 2023)¹⁹.

Labour Market Outcomes. Research extensively examines the **effects of legal residence status on migrants' labour market outcomes.** The lack of legal status often confines migrants to the informal sector with low-paying, unstable jobs and reduces their bargaining power due to the threat of deportation. Legalisation can enhance wages and skill returns by improving bargaining power and stabilizing employment relationships. However, its impact on employment status is mixed. On the demand side, while documented migrants may be more attractive to employers (for instance, because they are not subject to a deportation risk), they also entail higher costs due to legal requirements on payroll taxes and social contributions. On the supply side, legalised migrants may work more due to the higher wages they can command, but they can also decide to extend their job search to secure better jobs.

Early U.S. studies, such as those on the 1986 Immigration Reform and Control Act (IRCA) amnesty, find that **legalised migrants enjoy higher wages and job mobility but show mixed results for employment probability** (Borjas & Tienda 1993, Rivera-Batiz 1999, Kossoudji & Cobb-Clark 2000, 2002, Kaushal 2006, Amuedo-Dorantes et al. 2007). European studies echo these findings: Devillanova et al. (2018) and Elias et al. (forthcoming) report improved employment and sector transition for migrants in Italy and Spain, respectively. In France, Borjas & Edo (2023) find higher wages and employment for

¹⁸ The EU-funded Clandestino Project (<https://cordis.europa.eu/project/id/44103>) estimated the EU undocumented population at 1.9-3.8 million in 2008 (Triandafyllidou 2016). Pew Research Center estimated 3.9-4.8 million in 2017 after the 2015-16 refugee crisis (Connor & Passel 2019). In 2023, 1.265 million non-EU citizens were found to be illegally present in the EU (source Eurostat: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Enforcement_of_immigration_legislation_statistics).

¹⁹ Undocumented immigrants, for instance, are often employed in caregiving and household service jobs. The availability and cost of these services in the private market greatly impacts whether native workers – and women in particular – can work outside the home (Cortes and Tessada, 2011; East and Velasquez, 2022).

those benefiting from the 1981 amnesty^{20,21}.

3.8.2. Visa Duration and Renewal Conditions

Host countries typically offer temporary residence and work visas to new migrants, with the possibility of transitioning to more permanent residency for those who meet specific employment or integration criteria. While this gradual and conditional access to permanent status is designed to create incentives for integration, the **uncertainty surrounding visa renewal can hinder integration by reducing migrants' incentives to invest in host-country-specific skills and deterring potential employers**. This uncertainty affects both the long-term integration of migrants and their short-term well-being. Further, visa status temporariness can attribute excessive bargaining power to employers, as discussed in section 3.5.

Studies on Swedish policy changes reveal that **temporary status improves short-term labour market outcomes but reduces long-term educational investments compared to permanent status** (Jutvik & Robinson 2020, Blomqvist et al. 2018). Similarly, a Danish reform, which tightened permanent residency criteria, led to decreased employment and no significant improvement in language skills due to a discouragement effect, which reduced integration efforts (Arendt et al., 2023).

3.8.3. Access to Citizenship

Theories of Citizenship. A traditional perspective views naturalisation as a "crown" awarded for high levels of integration, with stringent requirements intended to encourage migrants to invest in their integration (Hainmueller et al. 2017). In this framework, restricting access to citizenship creates incentives for migrants to invest in their integration. However, there are two potential flaws in this approach. First, setting naturalisation requirements too high may discourage migrant integration effort (Arendt et al. 2023, Fouka 2024). Second, naturalisation could act as a "catalyst" for integration, improving migrants' labour market outcomes by enhancing their sense of belonging and reducing barriers to employment (Hainmueller et al. 2017). Restrictive citizenship requirements might delay integration and reduce earnings potential, negatively impacting host country welfare and tax revenues. According to the "catalyst" framework, easing citizenship requirements would likely foster more integration, not less.

Citizenship and Labour Market Integration. Recent studies generally find that citizenship positively impacts labour market outcomes. In Germany, reduced residency requirements to apply for naturalization improved job attachment (Gathmann & Keller 2018). In Switzerland, citizenship enhanced political and social integration and labour market outcomes (Hainmueller et al. 2015, 2017, 2019). In France, naturalisation through marriage significantly increased earnings (Govind 2021). However, an experimental study in New York found no significant socio-economic effects of naturalisation (Hainmueller et al. 2023)²².

²⁰ On July 23, 1981, the newly elected government of President François Mitterrand proposed to regularize the status of undocumented workers who had entered the country prior to January 1, 1981, and had a work contract valid for at least a year. The program regularized 131,360 immigrants.

²¹ Studies on broader impacts of legalisation programs indicate ambiguous effects on native workers but positive outcomes for host country GDP and tax revenues (Chassambouli & Peri 2015, Cascio & Lewis 2019, Elias et al. forthcoming). Legalised migrants often remit less and increase local consumption (Amuedo-Dorantes & Mazzolari 2010, Dustmann et al. 2017), which boosts local demand. Additionally, better labour market opportunities may reduce criminal activities among legalised migrants (Mastrobuoni & Pinotti 2015, Pinotti 2017, Fasani 2018).

²² The effects of naturalisation extend beyond labour market outcomes. Research has explored how birthright citizenship influences young migrants' behaviour (Felfe et al. 2020, 2021) and affects migrant parents' decisions (Avitabile et al. 2013, 2014). Further, Gathmann et al. (2021) find that citizenship significantly improved school performance among migrant children in Germany.

A common finding in these studies is that **the benefits of citizenship may vary widely across migrant groups**. For instance, Gathmann & Keller (2018), Hainmueller et al. (2017), and Hainmueller et al. (2019) report no economic gains from citizenship for migrants with more stable work histories and permanent work permits, but positive returns for those more marginalised and with weaker labour market attachment. Similarly, Fasani et al. (2023), the only study on citizenship's impact on refugees in Europe, finds significant positive effects on labour market outcomes for refugees granted citizenship, while other migrant groups do not seem to reap similar benefits.

3.9. Asylum Policy Design: Additional Rights or Hurdles for Integration?

KEY FINDINGS

Placement Policies:

- **Initial Placement Permanently Affects Integration Outcomes.** The location where refugees are initially settled plays a crucial role in their future labour market integration, with evidence suggesting that placement policies often lead to negative outcomes such as lower earnings and increased welfare reliance.
- **Ambiguous Effects of Ethnic Networks on Integration.** While exposure to ethnic networks may facilitate short-term economic integration by providing social support and job information, these networks can later restrict access to diverse job opportunities and limit educational investments. Placement policies should carefully consider their impact on ethnic segregation when allocating refugees.
- **Placement in Strong Local Labour Market Boosts Integration.** Refugees placed in areas with strong local labour markets experience better employment outcomes, whereas those in economically depressed areas face persistent lower employment probabilities and earnings.
- **Placement Policies Focused on Cost Savings May Generate Higher Costs in the Future Through Weaker Integration.** Placement policies that prioritise cost savings in supporting refugees - particularly with regard to housing expenses - often allocate them to economically depressed areas. This practice can hinder refugees' integration and foster reliance on welfare, ultimately resulting in higher costs in the medium to long term.

Waiting Times and Employment Bans:

- **Long Waiting Times Can Persistently Hinder Integration.** Prolonged waiting periods for asylum seekers to receive refugee status negatively impact their future labour market integration, resulting in lasting "scarring effects" that discourage participation in the workforce.
- **Employment Bans Lead to Poverty Risks.** Temporary employment bans on asylum seekers force them into informal employment and increase their risk of poverty, while also preventing them from contributing economically through formal employment.
- **Employment Bans Have Persistent Negative Effects.** The adverse effects of employment bans on refugees' labour market participation and employment status can last up to 10 years after their arrival in the host country, highlighting long-term challenges for both refugees and receiving countries.

The issues discussed in the previous sections highlight integration challenges that both migrants and refugees typically face in the host country's labour markets. However, as previously noted, refugees may be disproportionately affected due to the forced and unplanned nature of their migration, which can exacerbate the negative impact of these barriers (see section 2.2.2). They are subject to a distinct legal regime compared to migrants who arrive in host countries for other reasons (work, study, family reunification, etc.). This regime provides significant rights and entitlements - such as income and housing support - available to all asylum applicants, with additional provisions for those who

successfully attain refugee status. However, the asylum system can also introduce further barriers to integration. In this section, we discuss a few key elements of asylum policy in hosting countries - placement policies (section 3.9.1), waiting times, employment bans and refugee status recognition (section 3.9.2) - and their impact on the future integration of refugees.

3.9.1. Placement Policies

Placement Policies in Europe. Host countries often implement placement policies - also referred to as dispersal, allocation, or settlement policies - to distribute asylum seekers and refugees with recognised status across various regions²³. These policies typically have a coercive nature, imposing allocations on a no-choice basis and tying economic and accommodation support to accepting the assigned locations. However, individuals are generally offered the option to opt out of the allocation, albeit at the cost of forfeiting the associated support. In Europe, placement policies have been adopted in several countries: Denmark (since 1986; Damm (2009), Azlor et al. (2020)), Finland (since 1988; Andersson et al. (2010)), Germany (since 1991; Bahar, Hauptmann, Ozguzel & Rapoport (2024)), Ireland (since 2000; Proietti & Veneri (2021)), the Netherlands (since 1987; Selm (2000)), Norway (since 1994; Bratsberg et al. (2021)), Sweden (1985-1994; Edin et al. (2003), Aslund & Rooth (2007)), Switzerland (since 1988; Couttenier et al. (2019), Marten et al. (2019)), and the UK (since 2000; Bell et al. (2013)). Moreover, many European countries have also introduced placement policies in response to large and sudden inflows of forced migrants, such as those during the 2015-16 "European Refugee Crisis"²⁴.

Potential Effects of Placement Policies. The primary objective of placement policies is often to achieve an equitable distribution of refugees across regions, prevent the formation of large clusters in specific areas, and reduce the costs of housing refugees. However, since several studies have shown that **initial placement and local conditions significantly influence refugee outcomes, recent research has proposed refining allocation strategies to improve integration.** The impact of placement policies on the future labour market integration of refugees is theoretically ambiguous. The literature has identified three main potential mechanisms:

1. *Exposure to Ethnic Networks:* Placement policies typically reduce the natural tendency of migrants to settle in communities where co-nationals are already established. As discussed in section 3.4, if large co-ethnic enclaves hinder integration (the "ghetto effect"), placement could improve labour market outcomes. Conversely, strong ethnic networks can aid integration by providing social support and job opportunities, making placement potentially counterproductive.
2. *Local Labour Markets:* Since newly arrived refugees often lack reliable information about regional differences in labour demand in the host country, an allocation policy could improve upon the sub-optimal choices they might otherwise make, reducing the risk of congestion effects and segregation. However, placement strategies frequently prioritise cost savings - particularly with regard to housing - and result in the allocation in areas which are economically depressed, harming refugees' integration.
3. *Geographical Mobility:* Placement policies restrict refugees' mobility, imposing minimum residence periods and offering incentives for staying in allocated areas. These restrictions can limit the quality of job matching, preventing refugees from finding the most suitable labour market for their skills.

²³ This type of policy is regulated by Article 8 ("Allocation of applicants to a geographical area") of the EU Reception Conditions Directive 2024/1346/EU.

²⁴ See Fasani et al. (2022) and Table A5 in the article's appendix for further details on European placement policies. The U.S. introduced a placement policy in 1980 to allocate resettled refugees across counties.

If placement policies are detrimental to refugees in the short run, two mechanisms could lead to **persistent negative effects**. First, the literature has documented "**scarring effects**" - i.e. enduring negative effects in terms of reduced earnings and delayed career progression - for both native (Oreopoulos et al. 2012, Altonji et al. 2016) and migrant workers (Aslund & Rooth 2007, Barsbai et al. forthcoming) of entering the labour market during economic downturns. Similarly, being assigned to low labour demand areas may persistently discourage refugees, delay workforce entry, trap them in poor jobs, and increase welfare dependency. Second, mobility cost - due to policies or community attachment - can prevent relocation to areas with better opportunities, perpetuating initial disadvantages (Farrokhi & Jinkins 2024).

The Evidence on the Effects of Placement Policies. Extensive literature finds that the **initial location of refugees** is a **major determinant of their integration outcomes**:

- *Overall Effect.* Studies reveal that **placement policies often lead to negative outcomes**. For instance, the introduction of Sweden's placement policy in 1985 resulted in a 25% drop in refugee earnings, largely due to a shift from labour market integration to welfare reliance (Edin et al. 2004). Similarly, analysis across 20 European countries shows that refugees subject to placement policies exhibit significantly lower employment and participation rates, remaining in areas with fewer job opportunities (Fasani et al. 2022).
- *Ethnic Enclaves.* The benefits of avoiding ethnic enclaves may outweigh the disadvantages if the "ghetto effect" is detrimental. **Evidence from European countries generally suggests that, in the short run, ethnic networks aid refugees' integration.** The strength of this positive effect, however, will depend on the level of the network's economic integration and its sign may change in the long run (as discussed in section 3.4).
- *Local Labour Market Opportunities.* **Placement in areas with poor labour market conditions can negatively impact refugee integration.** For instance, refugees in high unemployment areas in Sweden display persistently lower employment probabilities and earnings than those placed in stronger local labour markets (Aslund & Rooth 2007). In Denmark, similar negative effects on labour market performance are observed for refugees placed in weaker local labour markets (Damm & Rosholm 2010, Azlor et al. 2020, Foged et al. 2024). Moreover, refugees placed in Copenhagen experience steeper wage growth compared to those in smaller urban centres or rural areas, suggesting that city placements allow refugees to access higher-paying jobs (Eckert et al. 2022).
- *Nationals' Attitudes and Social Integration.* Recent studies show that **nationals' attitudes may affect refugee integration** (see section 3.6.2 for a general discussion of the interplay between host country citizens' attitudes and foreign workers' integration). For example, refugees placed in areas with more hostile sentiments towards foreigners exhibit lower employment probabilities in Germany (Aksoy et al. 2023), while they display faster economic integration in Switzerland (Muller et al. 2023). Additionally, refugees in politically engaged neighbourhoods in Norway display a higher propensity to vote (Bratsberg et al. 2021). In Denmark, refugees assigned to areas with higher youth crime rates are more likely to receive criminal convictions later in life (Damm & Dustmann 2014).

Improving Placement Policies. Recent work has discussed ways to improve refugee allocation both across countries (Fernandez-Huertas Moraga & Rapoport 2014, Jones & Teytelboym 2017) and within countries. These latter studies suggest that outcome-optimisation algorithms could produce large employment gains by determining the allocation with the objective of maximising specific refugees' outcomes, such as their employment status (Bansak et al. 2018, Ahani et al. 2024). Alternatively,

combining preferences from refugees with those of host communities might improve refugee welfare while respecting local priorities (Delacretaz et al. 2023).

3.9.2. Waiting Times and Employment Bans

Waiting Times. After filing their asylum applications, asylum seekers arriving in European countries have to wait for their refugee status determination and are assigned a temporary status²⁵. At the end of December 2023, Eurostat data reported over 1,1 million pending applications in the EU27 area²⁶. Academic research has examined the impact of this prolonged legal limbo on future refugee integration. A group of recent studies - conducted in four different European countries such as Switzerland (Hainmueller et al. 2016), Denmark (Hvidtfeldt et al. 2018), France (Ukrayinchuk & Havrylchuk 2020), and Sweden (Aslund et al. 2024) - all uncover **lasting negative consequences of prolonged exposure to uncertainty due to lengthy asylum processes**. While all articles identify "scarring effects" (see section 3.9.1) from experiencing a long wait, they differ in their explanations of the underlying mechanisms. Hainmueller et al. (2016) suggest that the prolonged uncertainty experienced by asylum seekers leads to psychological discouragement, which subsequently hinders future labour market participation. In contrast, Hvidtfeldt et al. (2018) argue that the employment gap observed between asylum seekers who faced long versus short processing times is primarily due to the delayed entry into the labour market of those who endured longer waits, which is driven by employers' reluctance in hiring workers whose residence status is subject to uncertainty. A similar conclusion is reached by Aslund et al. (2024), which finds no evidence of deterioration in mental health suffered by asylum seekers who waited longer.

Employment Bans. One feature of asylum legislation in many EU countries is to impose **temporary employment bans that prevent asylum seekers from working during the application process and, unless duration is statutorily limited, these restrictions are lifted only after the applicant is granted refugee status**²⁷. The majority of European countries enforce temporary employment bans, preventing asylum seekers from engaging in formal employment while their applications are processed. At the peak of the 2015 European refugee crisis, only four European countries - Greece, Norway, Portugal, and Sweden - permitted asylum seekers immediate access to their labour markets, while the other countries imposed bans ranging from 2 to 12 months, with Ireland and Lithuania even implementing indefinite restrictions (Fasani et al. 2021). The short-term effect of these bans is mechanical: **By shutting asylum seekers out of the formal labour market for the entire ban duration, governments expose asylum seekers to poverty risk and exploitative informal employment while forfeiting their potential contributions to output and tax revenue**. In the medium to long term, employment bans can adversely affect refugees' employment status, labour market participation, and reliance on welfare. These **potential "scarring effects"** not only harm refugees' well-being but also raise the costs of hosting them for receiving countries. Two studies underscore the significance of these lasting effects, finding **persistent reductions in employment and labour market participation that can last up to 10 years after arrival** (Marbach et al. 2018,

²⁵ Bertoli et al. (2022) estimate processing times in Europe combining EUROSTAT data on the stock of pending applications with information on the number of first-time asylum applications. Over the period 2009-2017, they estimate an average waiting time of 9.5 months (varying between 0 and 36 months) across the 32 European countries included in the EUROSTAT dataset.

²⁶ Data are available at the following link: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Asylum_statistics&oldid=558844 Pending applications at the end of the year.

²⁷ In low and middle income countries, bans to formal labour market access are often imposed on the refugee population for their entire residence in the host country (Zetter and Ruaudel 2016; Clemens et al. 2018).

Fasani et al. 2021)²⁸. Notably, the evidence reported in Fasani et al. (2021) shows that, although a negative effect of bans is already visible with those of very short duration (i.e. up to 3months), this effect becomes substantial already with bans of 4-months or more, and it grows larger with ban duration.

Refugee Status Recognition. To the best of my knowledge, there is no quantitative research on the impact of being granted refugee status itself, largely due to the lack of data on rejected asylum seekers. However, it is reasonable to assume that the effects would be similar to those estimated for obtaining legal status, as discussed in section 3.8.1.

²⁸ Indirect evidence of the detrimental impact of employment bans also emerges from research on criminal outcomes. Bell et al. (2013) indicate that asylum seekers in the UK - who are subject to both a placement policy and an employment ban - are more likely to commit property crimes than migrants who enjoy free geographical mobility and labour market access. Similarly, Couttenier et al. (2019) document a lower propensity for crime among refugees residing in Swiss cantons that permit immediate labour market access, compared to those in cantons that impose restrictions.

4. THE ROLE OF SOCIAL PARTNERS AND OTHER PRIVATE ORGANISATIONS

KEY FINDINGS

- **Role of Social Partners:** The collaboration between policymakers and social partners, including trade unions and employers' organizations, is crucial for understanding the complexities of migrant integration and developing effective policies that reflect real-world challenges.
- **Trade Unions' Potential:** Trade unions can significantly enhance the rights and working conditions of migrant workers by providing services, training, and support, which can also benefit native workers and foster positive attitudes toward migration. However, the under-representation of migrants in unions poses a challenge that needs addressing.
- **Employers' Organizations:** Engaging employers in the integration process is vital, as they can offer valuable insights into the assessment of foreign qualifications and actively contribute to the successful integration of migrants by recognizing the benefits of a diverse workforce.
- **EU-Level Collaboration:** The European Commission has established partnerships with key economic and social organizations to promote the labor market integration of refugees, emphasizing early support, multi-stakeholder approaches, and shared best practices.
- **Civil Society Organizations:** NGOs and civil society play an essential role in migrant integration by providing language training, mentorship, and employment assistance.

This chapter briefly discusses the role played by social partners and other private organisations in fostering the labour market integration of migrants and refugees. In a joint report, the OECD, IOM, World Bank and IMF stress that policymakers cannot anticipate all obstacles, making **collaboration with social partners essential for understanding the complexities of integration and ensuring that policies reflect on-the-ground realities** (OECD et al. 2016). They argue that policy frameworks should encourage regular consultation and information exchange, as this cooperation reduces administrative costs, builds institutional knowledge, and increases policy coherence. Sharing good practices, even internationally, is vital for improving stakeholder cooperation.

The structure of the chapter is the following: we first focus on trade unions (section 4.1) and employers' organizations (section 4.2); we then briefly describe recent EU-level initiatives involving social partners (section 4.3); finally, we conclude by considering other private organisations and NGOs (section 4.4).

4.1. Trade Unions

Trade unions can **help protect migrant workers' rights, provide services and training to address employment barriers, and mitigate employers' excessive bargaining power**. Such interventions have the potential to improve labour market outcomes for both migrants and nationals. Strengthening the unionisation of migrants could, therefore, not only enhance the welfare of both groups but also alleviate widespread concerns about labour market competition between migrants and native workers, potentially fostering more positive attitudes towards foreigners.

However, to realise this potential, **unions need to address the issue of under-unionisation among migrants compared to native workers**. Although this phenomenon is well-documented in the literature, it remains somewhat puzzling. From a demand perspective, one might expect migrants -who often face harsh and discriminatory treatment in host countries' labour markets - to actively seek union representation and support. From a supply perspective, trade unions should consider the migrant workforce a strategic pool of potential members, offering an opportunity to counterbalance the steady decline in unionisation rates. Industrial relations experts have put forward three main explanations for the under-unionisation of migrants (Gorodzeisky & Richards 2013). First, migrant workers are frequently concentrated in sectors - such as temporary agencies, personal and domestic services, hospitality, and the gig economy - where union presence is weak or absent. Second, union leaders may have limited incentives to recruit migrant workers if native members (the "insiders") are reluctant to integrate migrant workers (the "outsiders"). Third, migrants themselves may be uninformed, sceptical of, or uninterested in, joining unions.

A few studies have quantitatively examined these issues in Europe. Analysing data from 14 European countries, a study demonstrates that **migrant workers are consistently less unionised than native workers, a gap that is only partially explained by migrants' concentration in marginal sectors with a weaker union presence**. This study reveals that the native-migrant unionisation gap is more pronounced in countries where unions enjoy greater organisational security, either through state financing or as part of a single dominant confederation (Gorodzeisky & Richards 2013). Similar conclusions are reached in a study that analyses 23 European countries and shows that migrants' under-unionisation correlates with the country's industrial regime (Kranendonk & de Beer 2016). Despite their lower unionisation rates, however, **migrant workers in Europe report higher levels of trust in trade unions compared to nationals** (Gorodzeisky & Richards 2020). This positive trust gap is significant among both union members and non-members and suggests that the low unionisation rates we observe among migrant workers are not due to their lack of demand for unions' protection.

Quantitative evidence on the impact of trade union activities on migrants' rights and working conditions is even scarcer. A notable recent exception is a study on migrant labour exploitation in Italy's agricultural sector, which demonstrates the **effectiveness of a trade union intervention that provided migrant farmworkers with information about their rights and incentives to report exploitative practices** (Dipoppa, forthcoming). This intervention encouraged whistle-blowing among migrants, increased the prosecution of criminal organisations involved in migrant racketeering, and raised awareness among native citizens, making them more supportive of immigration and parties that endorse it.

4.2. Employers' Organisations

In a joint report, the OECD, IOM, World Bank and IMF have identified **governments' collaboration with employers** as a **key element for migrants' labour market integration** (OECD et al. 2016). Not only employers' willingness to hire and train migrants is crucial for successful integration, but employers are often better positioned than public authorities to assess the relevance of foreign qualifications and work experience. Monitoring employer demands is, therefore, crucial for shaping effective policy interventions, ensuring that policies are both cost-effective and aligned with actual labour market needs.

A substantial body of research in management and organisational science underscores the **benefits of hiring migrant workers**, especially highly skilled migrants. For instance, migrant scientists, inventors, and managers enhance firm performance by promoting knowledge transfer, knowledge recombination, and social capital transmission (see Choudhury (2022) for a comprehensive review).

Furthermore, emerging evidence indicates that **firms can also improve performance and productivity by hiring refugees** (Santangelo et al. forthcoming). If firms benefit from employing marginalised groups, including refugees, their hiring practices can drive both economic and societal progress. These findings offer a compelling case for encouraging employers to adopt more inclusive hiring practices, providing governments with an additional lever beyond moral appeals, political arguments, and subsidized employment initiatives. Governments could collaborate with **employers' organisations to raise awareness of the benefits of a diverse workforce and promote the dissemination of best practices, sharing successful experiences to overcome informational barriers.**

A key role is also played by **migrant entrepreneurs**. Firstly, **entrepreneurship offers an effective pathway for migrants facing challenges in securing regular employment**. For migrants whose skills may be undervalued or who experience discrimination, self-employment provides a practical solution. Entrepreneurship is especially beneficial for hard-to-reach groups, such as female family migrants, offering greater flexibility and the potential to balance childcare, cultural barriers, or other commitments more easily than traditional employment (OECD et al., 2016). Secondly, **migrant entrepreneurs contribute significantly to job creation**. In 2022, about 13% of working migrants in the EU were self-employed, slightly below the 15% rate for non-migrants. The share of migrants among the self-employed in the EU has nearly doubled over the last decade, with almost one-third employing at least one employee, comparable to the rate among non-migrants (OECD and EC, 2023b). Finally, **migrant entrepreneurs serve as role models for other migrants and native employers, promoting more inclusive hiring and management practices.**

4.3. EU-level Initiatives Involving Social Partners

Since 2016, the Commission has engaged in intensive cooperation with economic and social partners on the topic of integration in the labour market. This cooperation led to the signature of the **European Partnership on Integration** with the five EU Economic and Social Partner organisations: the European Trade Union Confederation (ETUC), the Confederation of European Business (BusinessEurope), SGI Europe, SMEunited, and Eurochambres²⁹. The Partnership, signed in 2017 and renewed in 2020, outlines key principles for the integration of refugees into the labour market, including providing support at the earliest opportunity, ensuring that integration benefits refugees, the economy, and society at large, and ensuring a multi-stakeholder approach, alongside commitments to put these principles into practice. Since 2017, several actions have been undertaken to promote the labour market integration of foreign workers by national economic and social partner organisations³⁰.

4.4. Other Private Organisations

A joint report by the OECD, IOM, World Bank, and IMF acknowledges the role of civil society organisations in supporting migrant integration through services such as language training, skills assessment, mentorship programmes, and employment **assistance** (Battisti et al. 2019). Collaboration with these civil society initiatives can also foster greater public acceptance of immigration (OECD et al. 2016).

²⁹ See link: https://home-affairs.ec.europa.eu/policies/migration-and-asylum/legal-migration-resettlement-and-integration/cooperation-economic-and-social-partners/european-partnership-integration_en.

³⁰ See examples of these actions at this link: https://home-affairs.ec.europa.eu/system/files/2020-12/22122020_drafting_actions_partnership_en.pdf.

Private organisations and NGOs have been particularly **proactive in refugee re-settlement and accommodation**, complementing government-led initiatives. Canada pioneered this approach, and similar private and community sponsorship programmes have emerged in Germany (2013), Ireland (2017), and the United Kingdom (2016) (Prantl 2023). In Canada, a study found that privately sponsored refugees had higher employment rates and earnings compared to government-assisted refugees, with the most significant benefits observed among those with lower levels of education (Lisa Kaida & Stick 2020). However, research on the broader impact of NGO activities on migrant integration is limited. One exception is a Danish study that revealed refugees assigned to communities with a higher presence of non-profit organisations were less likely to find employment and had lower income levels over time (Rocha & Santini 2024). The negative impact was mainly linked to advocacy organisations, especially religious groups and other advocacy entities, which may focus resources on specific goals that do not necessarily align with refugee integration.

5. POLICY RECOMMENDATIONS

5.1. General Policy Lessons

Key general lessons for policies to integrate migrants and refugees in host country labour markets:

1. **Focus on the Period Immediately After Arrival:** There is widespread agreement among scholars that **policy interventions introduced during the early stages of the migrant and refugee experience** - typically within the first five years of arrival - can have **profound and enduring impacts** on their socio-economic integration. This period marks a **critical "window of opportunity" that shapes the future trajectories of migrants and refugees**, influencing key outcomes such as labour market participation, dependency on welfare, employment prospects, job quality, and efforts to learn the host country's language. A considerable body of evidence demonstrates that integration pathways for both migrants and refugees show the most rapid progress during the early years post-arrival, with most improvements in employment likelihood and earnings occurring in this phase, followed by a levelling off. Consequently, early-stage interventions have a substantially greater impact than those implemented later, underscoring the **need for governments to prioritise early integration measures**. This first policy implication has two important corollaries:
 - (a) **Beware of Scarring Effects:** Substantial evidence indicates that unfavourable economic conditions at the time of labour market entry for young national workers have lasting detrimental effects on their future career trajectories. In a similar vein, **policies or barriers that restrict or delay labour market access for migrants and refugees upon arrival are likely to leave a persistent negative "scar" on their long-term integration prospects**. For example, even temporary measures such as employment bans, extended processing times, and placement policies for asylum seekers have been shown to hinder future labour market participation and promote welfare dependency among refugees, often long after these restrictions have been lifted.
 - (b) **Early Savings Often Result in Higher Expenditures Later On:** Host country governments should **make decisive investments in integration early in the arrival process**, recognising that successful integration enables foreign workers to contribute to fiscal revenues rather than rely on the welfare state. Investments in early language training and job-search support are significantly more cost-effective when implemented at an earlier stage: **governments can ultimately spend less by spending early**. Moreover, policymakers should **consider the long-term consequences of short-sighted cost-cutting strategies, which often lead to greater expenses in the future**. For instance, reducing housing and training expenditures at the point of refugees' arrival can result in a higher dependency on welfare later, potentially extending throughout their residency in the host country.
2. **Identify and Balance Trade-Offs in Policy Interventions:** Each policy measure can potentially entail some trade-off, whereby the migrants and refugees involved in the intervention gain on some integration dimensions but they lose on others. The literature has highlighted two main types of trade-offs:
 - (a) **Trade-Offs between Different Types of Activities and Policy-Focus:** For example, active labour market policies that have a work-first approach - imposing stricter requirements on job search and on-the-job training activities - rather than a language-first approach can expedite labour market entry. However, this often comes at the expense of placing migrants and

refugees in lower-quality, more precarious jobs, while also leading to under-investment in host country language acquisition. Likewise, reducing income support to incentivise job-seeking activities may limit the time migrants and refugees can dedicate to language learning, training, and searching for jobs better suited to their qualifications, ultimately resulting in poorer and less stable job matches.

- (b) **Trade-Off between Barriers and Incentives:** Migration and asylum policies often impose requirements that individuals must meet to gain access to the labour market or to key rights and entitlements (e.g. permanent residency, citizenship, or refugee status). These requirements may serve to differentiate between those deemed eligible for certain legal treatments and those who are not, such as in the recognition of refugee status. In other instances, these requirements aim to incentivise individuals to increase their integration efforts, such as when welfare support is conditional on participation in training or job-search activities, or when citizenship is granted to those who fulfil specific criteria regarding residence, income, language proficiency, etc. In these cases, governments must **carefully balance the use of incentives that promote integration with the creation of barriers that may unintentionally discourage such efforts.**
3. **Remove Unnecessary Integration Barriers:** Some barriers created by migration and asylum policies do not serve either of the two purposes outlined in the previous point. These barriers neither distinguish between eligible and non-eligible individuals nor create positive incentives for integration. For example, obstacles to the recognition of foreign qualifications or restrictions on the employment of asylum seekers appear to have exclusively negative effects on integration. Therefore, the case for removing such barriers is compelling.
 4. **Beware of Unintended Consequences and Potential Differences Between Short and Medium/Long-Run Policy Effects:** Substantial evidence indicates that policy impacts are dynamic, often changing over time in both nature and magnitude. For example, cutting welfare benefits for migrants and refugees may lead to higher employment levels in the short term, but can produce negative long-term consequences. Similarly, tightening permanent residency requirements may improve immediate labour market outcomes, but at the cost of reducing educational investments, ultimately hindering long-term integration.
 5. **Reduce Uncertainty:** Keeping migrants and refugees in "legal limbos", and exposing them to protracted uncertainty about their future status in the host country is detrimental to their economic integration. The uncertainty regarding visa renewal or the obtainment of citizen status, for instance, may reduce migrants' incentives to invest in host country-specific skills and deter potential employers. Similarly, prolonged uncertainty experienced by asylum seekers during the process of refugee status recognition may lead to discouragement effects and psychological distress.

5.2. Challenge-Specific Policy Recommendations

5.2.1. Language Barriers

- **Encourage migrants' language learning.** Enhanced language training for migrants may improve job search efforts and labour force participation but might not directly impact employment outcomes if fluency gains - relative to their starting level - are insufficient. Financial incentives for language learning can be effective for certain groups, particularly those with lower learning costs.

- **Invest in language training for asylum seekers and refugees.** For asylum seekers and refugees, comprehensive language training provided early on after arrival has proven to be highly effective, leading to improved employment outcomes and educational achievements for their children³¹.

5.2.2. Educational Barriers

- **Ease migrants' access to regulated occupations.** Policymakers should focus on addressing regulatory obstacles to skill recognition. Streamlined and accessible recognition procedures should be established to facilitate migrants' entry into regulated occupations, thereby enhancing their employment prospects and wage levels.
- **Simplify the recognition process of foreign qualifications.** Reforms which simplify and accelerate the recognition process for foreign qualifications, have proven effective in increasing the number of recognition applications and improving employment and wage outcomes for migrants³².

5.2.3. Employability Barriers

- **Design ALMPs Carefully and Balance Strategies:** Ensure ALMPs avoid "lock-in effects" and provide tangible benefits through balanced job search support and training. Integrate early job placements with ongoing language training to avoid trade-offs and enhance overall outcomes.
- **Implement Individualised Plans:** Tailored "integration plans" are more effective than identical programmes offered to everyone.
- **Combine Support Elements:** Use a mix of counselling, job search assistance, and language training for effective refugee integration.

5.2.4. Residential Segregation

- **Beware of Limiting Ethnic Enclaves:** Attempting to prevent migrants from settling in ethnic enclaves is not only challenging from both legal and political perspectives but could also prove counterproductive: the immediate benefits of living in a segregated area are well-documented, whereas the long-term costs remain less certain.
- **Outmigration from Ethnic Enclaves May Increase Social Exclusion:** Encouraging out-migration from ethnic enclaves may exacerbate economic and social issues since the movers tend to have higher socio-economic status than the stayers.
- **Improving Migrants' Access to Housing:** Enhance the quality, distribution, and accessibility of housing for both newly arrived and established migrants. Interventions should target access to both social housing and the private housing market, through measures such as subsidies and efforts to address discriminatory practices.

5.2.5. Limited Bargaining Power

- **Increase Labour Market Mobility for Migrants:** Policies should focus on reducing constraints

³¹ Recognising the importance of language training for asylum seekers, the latest recast of the Reception Directive (2024/1346/EU) now states that Member States "shall ensure" or "facilitate" (depending on the national system) access to "language courses, civic education courses, or vocational training" (article 18), rather than "may allow" access to "language courses and vocational training" (as it was previously stated in 2013 RCD, Article 16).

³² The European Commission has recently intervened on the matter of the recognition of qualifications of third-country nationals with the Recommendation EU 2023/7700 which aims to streamline and speed up recognition processes in EU member countries.

that limit migrants' job mobility, allowing migrants to seek better employment opportunities.

- **Reform Employer-Sponsored Visa Schemes:** Visa programs, especially for low-skilled workers, should be reformed to allow greater freedom for migrants to change employers without risking their legal status. This would improve bargaining power and working conditions for migrant workers, reducing the risk of exploitation.
- **Increase Support for High-Skilled Migrants:** Even high-skilled migrants face reduced job mobility due to temporary visa restrictions. Governments should streamline the process for securing permanent residency, thus increasing their integration and earnings potential.

5.2.6. Discrimination and Hostile Attitudes

- **Strengthen Anti-discrimination Laws:** Stronger legal frameworks are necessary. However, laws alone may not suffice, requiring robust enforcement and public awareness efforts³³.
- **Caution with Anonymous Applications:** While anonymising resumes can reduce bias in early stages, results are mixed. In some cases, anonymisation prevents positive discrimination, potentially harming minority candidates. Policymakers should carefully evaluate the contexts in which anonymous hiring is implemented.
- **Promote Diversity and Affirmative Action:** Increasing minority representation in leadership and encouraging intergroup contact can reduce prejudice. Affirmative action policies and creating environments that foster meaningful interactions between groups are promising approaches.
- **Invest in Educational Campaigns for Employers and the General Public:** Since providing stronger signals about their productivity does not reduce the discrimination experienced by migrants, addressing taste-based biases through public education campaigns and shifting societal attitudes toward migrants is essential.

5.2.7. Welfare State Access

- **Consider Short-Run and Long-Term Fiscal Impacts:** While migrants in the EU contribute positively to public finances on average, long-term projections indicate higher fiscal costs for certain migrant groups than for nationals.
- **Balanced Welfare Support:** policies should strike a balance between providing necessary assistance to vulnerable migrants and incentivising labour market participation. Cash assistance should be designed to support skill development and job training without overly diminishing the motivation to seek employment.
- **Shortcomings of Restrictive Welfare Reforms:** Restrictive welfare reforms aimed at increasing labour market participation may fail to boost employment and have unintended negative consequences. Policymakers should carefully evaluate the short- and long-term impacts of such reforms to avoid detrimental outcomes.

³³ Equality and non-discrimination are two of founding values of the European Union, as expressed in Article 2 of the Treaty on European Union. The prohibition of any discriminatory treatment based on "any ground such as sex, race, colour, ethnic or social origin, genetic features, language, religion or belief, political or any other opinion, membership of a national minority, property, birth, disability, age or sexual orientation" is stated in article 21 of the EU Charter of Fundamental Rights. The European Union has then repeatedly intervened on the matter. For instance, by issuing the following anti-discrimination directives on: discrimination on grounds of race and ethnic origin (2000/43/EC), discrimination at work on grounds of religion or belief, disability, age or sexual orientation (2000/78/EC), equal treatment for men and women in matters of employment and occupation (2006/54/EC), equal treatment for men and women in the access to and supply of goods and services (2004/113/EC).

5.2.8. Migration Policy Design

Legal Residence Status:

- **Expand Legalisation Pathways:** Facilitating legal status for migrants enhances their job stability, wages, and mobility. Expanding pathways to legal residence can improve labour market outcomes and integration into the formal sector.
- **Support Transition to Formal Sector:** Policies should aid migrants in moving from informal to formal employment. Initiatives like job placement services and skills training can support this transition and boost economic benefits.
- **Monitor Economic and Social Impact of Amnesties:** Legalisation may increase GDP and tax revenues, but also impose costs and affect native workers. Policymakers should evaluate these impacts and adjust policies to maximise benefits while addressing potential drawbacks.

Visa Duration and Renewal Conditions:

- **Stabilise Visa Status:** Reducing uncertainty around temporary visas can boost long-term integration by encouraging skill investment and improving job prospects.
- **Balance Incentives:** Design policies to ensure that short-term labour market gains do not undermine long-term educational and skill development.

Access to Citizenship:

- **Adjust Naturalisation Requirements:** Policymakers should consider the balance between integration incentives and practical barriers. Overly stringent requirements might discourage integration efforts, leading to reduced long-term benefits for both migrants and host countries. Easing certain criteria could enhance integration and economic contributions from migrants.
- **Heterogeneous Return to Naturalisation:** Naturalisation policies tend to exclude the migrant groups - those more marginally attached to the labour market - which would benefit the most from naturalisation. Considering ways of easing access to citizenship for more marginalised migrant groups (e.g. refugees, women) seems essential.

5.2.9. Asylum Policy Design

Placement Policies:

- **Refine Refugee Placement Based on Labour Market Strength:** Evidence shows that placing refugees in regions with stronger local labour markets leads to better long-term employment outcomes. Placement policies should be adjusted to prioritise areas with low unemployment and robust economic opportunities, rather than regions with cheaper housing, which often have weaker labour markets.
- **Leverage Ethnic Networks with Caution:** Ethnic enclaves can support short-term economic integration by providing social support and job-related information. However, they may also limit long-term opportunities for education and higher-paying jobs. Policymakers should consider integration programmes that combine the benefits of ethnic networks with incentives for education and language acquisition, thus avoiding "ghetto effects."
- **Avoid Overcrowding in Specific Refugee Communities:** While ethnic networks can be beneficial, placing too many refugees in the same area can lead to competition for limited job opportunities, negatively affecting employment outcomes. Placement policies should aim for balanced placements that prevent overwhelming specific regions.

Waiting Times and Employment Bans:

- **Reduce asylum processing times:** Prolonged waiting times for asylum decisions have lasting negative consequences on refugee integration: prolonged uncertainty may lead to psychological distress among asylum seekers and discourage potential employers, delaying labour market entry. Governments should prioritise reducing processing times to mitigate these scarring effects, potentially by increasing administrative capacity or leveraging technology for faster assessments³⁴.
- **Relax employment bans:** Restrictive employment bans prevent asylum seekers from entering the formal labour market and persistently slow down their economic integration. Policies allowing earlier access to the labour market would boost not only asylum seekers' self-reliance but also lower hosting costs for governments by reducing welfare reliance and improving tax revenue³⁵.
- **Support for mental health and skill-building during waiting periods:** Even if some wait times are inevitable, offering asylum seekers psychological support and opportunities for skill development during this period could mitigate discouragement and prepare them for eventual entry into the labour market.

³⁴ The EU has intervened on waiting times with the Asylum Procedures Directive (2013/32/EU), imposing a theoretical maximum duration of 6 months (art. 31.3), which is, however, extendable up to 21 months (art. 30.5).

³⁵ The EU has repeatedly intervened over the last 20 years on employment bans. In particular, the Reception Conditions Directive (2003/9/EC) set the maximum waiting time for legal access to the labour market to 12 months, while its 2013 recast Directive (2013/33/EU) reduced it to 9 months. In 2024, the RCD (2024/1345/EU) has further reduced this maximum duration to 6 months. Fasani et al. (2021) show the effectiveness of the EU Directives in reducing the duration of employment bans in Europe.

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ANNEX 1 – DEFINITIONS

Migrant Status Definitions

I adopt standard definitions in this study (see, among others, OECD et al. (2016)):

- **Asylum seekers:** people who have formally applied for international protection, but whose claim is pending (i.e. candidates for refugee status).
- **Displacement/Forced Displacement:** The movement of persons who have been forced or obliged to flee or to leave their homes or places of habitual residence (whether within their own country or across an international border), in particular as a result of or in order to avoid the effects of armed conflict, situations of generalized violence, violations of human rights or natural or human-made disasters.
- **EU mobile citizens:** EU citizens living in another Member State.
- **Forced Migrants:** A person subject to a migratory movement in which an element of coercion exists, including threats to life and livelihood, whether arising from natural or man-made causes. This category includes internally displaced people (i.e. displaced individuals who remained in their home countries), asylum seekers and refugees.
- **Migrants:** It is used in this study as a generic term for anyone moving to another country with the intention of staying for a certain period of time - excluding, therefore, business visitors or tourists. Within the broad group of migrants, one key distinction is between temporary and long-term migrants, and another one relates to the migrant category. Migration categories might distinguish migrants within a free-mobility zone (such as the EU), labour migrants, family migrants and refugees.
- **Non-Refoulement:** a core principle of international refugee and human rights law that prohibits States from returning individuals to a country where there is a real risk of being subjected to persecution, torture, inhuman or degrading treatment or any other human rights violation.
- **Refugees:** People under international protection, including convention refugee status, temporary protection or other status. It also includes refugees resettled through humanitarian programmes with the assistance of the UNHCR or through private sponsorship.
- **Non-EU migrants / Third-Country National (TNC):** Any person who is not a citizen of the European Union within the meaning of Art. 20(1) of TFEU and who is not a person enjoying the European Union right to free movement, as defined in Art. 2(5) of the Regulation (EU) 2016/399 (Schengen Borders Code).
- **Undocumented migrants:** An immigrant who, owing to irregular entry, breach of a condition of entry or the expiry of their legal basis for entering and residing, lacks legal status in a transit or host country. Undocumented migrants generally do not have the right to work.

Labour Market Definitions

- **Employment rate:** the number of employed persons (someone working as an employee, self-employed or contributing family workers) as a percentage of the total population.

- **Employment Margins:**
 - **Extensive margin of employment:** it refers to the decision of whether to work or not. It focuses on the number of individuals who are employed or unemployed. Changes in employment at the extensive margin occur when people enter or exit the workforce (e.g., when unemployed individuals find jobs or employed individuals become unemployed or leave the labour force altogether). For example, if a policy results in more people finding jobs, that affects the extensive margin by increasing employment.
 - **Intensive margin of employment:** it refers to the amount of work done by those who are already employed. It focuses on variations in how many hours are worked, or how productive workers are during their time at work. Changes in the intensive margin occur when individuals adjust their working hours, such as moving from part-time to full-time work, or when productivity levels change without changing the number of people employed. For instance, an increase in the number of hours worked by part-time employees would affect the intensive margin.
- **Labour Force / Workforce / Active population:** it includes both employed (employees and self-employed) and unemployed people, but not the economically inactive, such as pre-school children, school children, students and pensioners.
- **Labour force participation:** A measure of the active portion of an economy's labour force. The labour market participation rate refers to the proportion of people who are either employed or are actively looking for work. People who are no longer actively searching for work are not included in the participation rate. For example, those in education or retirement are often not looking for work and are therefore excluded from labour market activity and unemployment rates.
- **Labour force participation rate / Activity rate:** the proportion of people in the labour force (employed or unemployed) as a percentage of the total population.
- **Scarring effects:** Persistent negative effects on labour market outcomes of a negative shock (e.g. a recession) which occurred at the moment of entering the labour market for the first time.
- **Share of long-term unemployment:** the number of long-term unemployed persons (unemployed for at least a year) as a percentage of all unemployed persons.
- **Unemployment rate:** the number of unemployed persons as a percentage of the labour force.
- **Wages:**
 - **Nominal wages:** refer to the wages or salary received by a worker in monetary terms, without adjusting for inflation or changes in the purchasing power of money. It is the amount of money earned in a specific time period, such as per hour, day, or year, and is expressed in current currency terms. For example, if someone earns EUR 15 per hour, that is their nominal wage.
 - **Real wages:** account for the purchasing power of the income earned, adjusting nominal wages for inflation or changes in the cost of living. Real wages reflect the quantity of goods and services that a worker can actually purchase with their income. For example, if inflation rises and prices increase, the real wage might decrease even if the nominal wage stays the same, as the worker can buy less with the same amount of money.

- **Reservation wage:** the lowest wage at which workers will be willing to work.
- **Youth unemployment rate:** the number of unemployed persons aged 15-29 years as a percentage of the labour force aged 15-29 years.

The integration of migrants and refugees into the labour market remains a critical challenge for EU countries. This study reviews recent academic research on effective policies to remove the barriers that hinder migrant integration in host countries. The study identifies nine key integration challenges, discusses existing evidence and provides policy implications.

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