Migration and Globalization

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# Integrating Low-Skilled Migrants in the Digital Age: European and US Experience

EDITION DONAU-UNIVERSITÄT KREMS

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# INTEGRATING LOW-SKILLED MIGRANTS IN THE DIGITAL AGE: EUROPEAN AND US EXPERIENCE

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# CONTENTS

# PREFACE

On the occasion of the 70th anniversary of the European Recovery Program – better known as Marshall Plan – the governments of the United States of America and Austria signed a Memorandum of Understanding (MoU) to strengthen their relationship. The Austrian Marshall Plan Foundation was commissioned to manage the implementation of the MoU. The Austrian Marshall Plan Foundation was created on the fiftieth anniversary of the European Recovery Program, which had been initiated by American Secretary of State George C. Marshall in 1947. It is a non-profit, non-partisan endowment and its activities extend across Austria and the US. **The aim of the Austrian Marshall Plan Foundation is a transfer of knowledge between the USA and Austria and to foster transatlantic excellence.**

The most important part of this MoU was the implementation of several exchange programs including an exchange in the area of vocational training. The activities in this field are supported by a scholarly exchange and discussion of the different vocational systems in the U.S. and Europe. The goal is to gain insights in how other countries handle this challenge and to learn from each other. **One important pillar of this exchange was a conference in Davis, CA, in 2019.** The focus of the conference was on the impact of rapid technological change on working conditions and the implications for low-skilled migrants. The question was to what extent vocational education and training programs can support migrants to raise their skills and open up employment opportunities in the digital era. We are more than happy that the outcome of this conference is published in this book and we want to thank all the authors who contributed to this publication.

Europe and the US are similar but different, including in immigration patterns and integration policies. Most European countries are reluctant countries of immigration in the sense that they have a large share of foreign-born residents and workers, but were not founded as immigrant societies that welcomed and integrated newcomers. The US, by contrast, believes in the motto “e pluribus unum”, from many one, expressing the conviction that immigrants from many countries can be integrated into Americans.

During the 1960s, many European countries welcomed guest workers who were expected to return to their countries of origin after several years of employment at higher wages than at home. The US, by contrast, changed its immigration preference system in 1965 to favor unifying families rather than giving preference to citizens of

Western Europe, and admitted immigrants with the right to change employers rather than guest workers tied to one employer. Many of the guest workers in Western Europe formed or unified their families in the 1980s as the US added guest worker programs to its immigration system.

Immigration continued during the 1990s and in the 21st century. New arrivals included family migrants, foreigners selected by employers to fill jobs, and asylum seekers and refugees. The growing volume and complexity of migration flows prompted different policy responses. Many European countries developed policies to promote the integration of newcomers and their families into relatively egalitarian societies, while the US expected newcomers and their families to integrate without the assistance of government programs.

The influx of large numbers of refugees into Europe in 2015-16 added a new dimension and urgency to the challenge of integrating newcomers. Most of the Syrian and other asylum seekers were relatively low-skilled, posing new integration challenges. In the US, migrants from Mexico and Central America, most with little schooling, arrived illegally and as asylum seekers, testing the capacity of immigration and integration systems.

This book provides an assessment of the challenges and opportunities posed by newcomers with little education and few skills in an era of rapid technical progress, globalization and demographic change. European and American experts examined the status of low-skilled foreign-born workers on both sides of the Atlantic and the policies to integrate them into work, many of them involving on the job education and training. The chapters were written before the outbreak of Covid-19, and do not reflect the impacts of lockdowns aimed at slowing the spread of the virus on the employment or training of newcomers. Accordingly, we added a chapter on the consequences of Covid-19 for low-skill migrants.

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Gudrun Biffl, Philip Martin and Markus Schweiger

# EDITORS' INTRODUCTION

Many of the migrants arriving in the European Union countries and the US over the past two decades have been low skilled, defined as persons with a secondary school education or less. How are these newcomers integrating into their new economies and societies? What changes in government policies, employer strategies, and public attitudes would speed mutually beneficial integration?

There appears to be a marked difference in attitudes and policies toward low-skilled newcomers across the Atlantic. Americans expect low-skilled migrants, including unauthorized foreigners, refugees, and family members sponsored by their US relatives, to find jobs and become self-supporting with minimal government assistance. Fears that too many unauthorized and legal immigrants were coming to the US for a "hand out" of welfare benefits rather than a "hand up" the job ladder to higher wages led to the enactment of several laws in 1996 that restricted the access of newcomers to federal tax-supported safety net programs.

The US considers itself to be a land of opportunity, and abounds with stories of newcomers who arrive with little and become successful. Upward mobility is typically self-directed, as migrants work hard and take advantage of opportunities. Most low-skilled migrants soon realize that learning English is a key to upward mobility, and some take advantage of the training offered by employers, public agencies, and NGOs to learn English and acquire skills, often while also working in low-level jobs. In many cases, upward mobility for low-skilled adult immigrants comes in the second and third generations, as migrant children educated in the US achieve far higher incomes than their parents.

EU countries with lower levels of economic inequality and smaller informal and low-wage labor markets have different policies and expectations. Newcomers often lack the language and skills needed to be hired into jobs that offer median wages and benefits. Since there are fewer jobs in the easy-entry farm, construction, and janitorial sectors, and because of policies that aim to avoid the creation of a large and easy-entry labor market for low-skilled workers, EU countries such as Austria and Germany offer newcomers language and skills training to make them more attractive to employers at prevailing wages.

Several metaphors capture transatlantic differences in policies toward low-skilled newcomers. The worst thing that a newcomer can do in all societies is commit a crime, but the second-worst thing in the US is to accept social welfare. By contrast, some Europeans fear that newcomers may take "good" jobs that should go to natives. The US considers employment at low wages sufficient for upward mobility of low-skilled newcomers from poorer countries, while many EU countries try to bring low-skilled newcomers up to average workforce skill levels before they begin to work to avoid creating an underclass.

There are also transatlantic differences in outcomes. The US is characterized by high labor force participation rates (LFPRs) and low unemployment rates for foreign-born workers, in part because of policies that aim to keep newcomers away from welfare programs. Low-skilled newcomers in EU countries, by contrast, often have lower LFPRs and higher unemployment rates than natives. The US gets low-skilled newcomers into jobs, but many lack the skills necessary to climb the job ladder. EU countries provide low-skilled newcomers with education and training, but may not get all of them into jobs.

### Foreign-born Workers: Europe

The EU28 had a labor force of 241 million in 2018, of which 33 million or 14% were foreign born workers. The share of the foreign born in the labor force differs greatly between the EU-member states, from less than 1% of the labor force in Poland to 22% in Austria and Sweden, closely followed by Germany with 19%, the United Kingdom and Spain with 18%, and Italy and France with 15% and 13%. The source countries of migrants reflect different immigration policies and histories. In addition, the fundamental right of EU citizens to free movement within the EU contributed to substantial intra-EU migration, largely from the Central and Eastern European member states to Western, Southern and Northern European countries.

The 73.8% LFPR of migrants in 2018 did not differ much from 73.7% for natives in the EU-28. There were significant differences between mobile EU citizens and migrants from outside the EU Intra-EU migrants had a LFPR of 79.5%, higher than natives, while non-EU citizens, so-called third country migrants, had a LFPR of 71.1%. The variance in LFPRs between citizens and foreigners varied by country. In Austria in 2018, the LFPR of foreigners at 75.1 percent was less than the 77.3 percent rate of natives; the LFPR of EU-migrants was 79.4%, versus 71.8% for third country citizens. Similarly, in Germany in

2018, the foreigner LFPR of 73.9 percent was less than the 80 percent of natives, while the LFPR of EU migrants (81.7%) was higher than the 69.3% rate of third country citizens. In contrast, in Sweden the LFPR of natives was 84.1%, closely followed by mobile EU citizens with 83.7%, and 77.6% for third country citizens.

Unemployment rates of the foreign born are higher than those of natives. In the EU28, the unemployment rate of the foreign born was 10.5% in 2018, versus 6.4% of natives. In Austria, the unemployment rate of the foreign born was 9.4%, versus 3.7% for natives, and there was a similar pattern in Germany, 6% and 2.9%, and Sweden, 15.7% and 3.9%.

In 2018, 17.1% of all employees, some 38 million people, were low-skilled workers in the EU28. The EU member states with the lowest shares of low-skilled workers in total employment were the new Central and Eastern European countries with shares between 3.7% in Lithuania and 11.1% in Bulgaria; Romania has the highest share of low-skilled workers among that group of countries with 17.3%, the EU28 average. The countries with the highest shares of low-skilled workers in employment are in Southern Europe; Portugal is taking the lead with 43.8%, followed by Malta (36.2%) and Spain (33%).

In most countries, the share of low-skilled migrants in total migrant employment is higher than the share of low-skilled native born in the employment of natives. Exceptions are Portugal in the South of Europe (33.5% vs 48.8%), the UK (13.7% vs 17.7%) and many of the Central and Eastern European EU-Member States, as the majority of migrants are in the upper skill segments.

Foreign-born workers are found in a wide range of occupations that reflect increasing economic integration and regional specialization in the production of particular goods and services. Low-skilled migrants, mostly from outside the EU, tend to complement native workers in elementary occupations such as plant and machine operators and assemblers, in services and sales, and in agriculture and fisheries.

### Foreign-born Workers: USA

The US had 28.2 million foreign-born workers in its 162-million strong US labor force in 2018, making migrants 17.4 percent of US workers. Foreign-born men have higher labor force participation rates than US-born men, 78 percent compared to 67 percent in 2018, while foreign-born women have a lower participation rate, 54 percent compared

to 58 percent for US-born women.[1] About half of foreign-born workers were Hispanic, and a quarter were Asians.

The unemployment rate of foreign-born workers in 2018 averaged 3.5 percent, compared to 4.0 percent for the US-born; the unemployment rate of the foreign-born men was even lower at 3.0 percent. For all racial and ethnic groups, foreign-born workers had lower unemployment rates than similar US-born workers. For example, 3.8 percent of foreign-born Hispanics were jobless in 2018, compared to 5.5 percent of US-born Hispanics.

Over 21 percent of foreign-born workers did not complete high school, compared with four percent of US-born workers. About 37 percent of foreign-born workers, and 41 percent of US-born workers, had college degrees. Foreign-born Hispanics with less than a high school education were much more likely to be in the labor force than similar US-born Hispanics: 63 percent of foreign-born Hispanics without high school diplomas were in the labor force in 2018, compared to 46 percent of US-born Hispanics.

The foreign-born are concentrated in particular occupations, often agriculture, construction and services Two percent of foreign-born men, compared to 0.8 percent of US-born men, were in farming occupations. Similarly, 16 percent of foreign-born men, compared to 8.3 percent of US-born men, were in construction occupations. Among women, 10 percent of foreign-born women, compared to two percent of US-born women, were in cleaning and maintenance occupations.

The median earnings of foreign-born workers, $758 a week, were 20 percent lower than for US-born workers, $910 a week. The gap in earnings was larger for foreign-born men than for foreign-born women, who earned 84 percent as much as US-born women. Similarly, the earnings gap was larger for older workers: foreign-born workers 55 and older earned 75 percent as much as similar US-born workers, while foreign-born workers 25-34 earned 92 percent as much as similar US-born workers.

The gap between the earnings of foreign-born and US-born workers reverses as education rises. Foreign-born workers with less than a high-school education earned an average $535 a week in 2018, compared to $578 a week for similar US-born workers.

[1] The gap in labor force participation was especially large for foreign-born women with children under 18, only 61 percent compared to 75 percent of US-born women with children under 18 were employed or looking for work. For women with children under three, the gap was even larger, 45 percent of foreign-born women and 66 percent of US-born women with small children were in the labor force.

However, foreign-born workers with college degrees averaged $1,362 a week, four percent more than the $1,309 a week for college-educated US-born workers.

### Changing Jobs and Workers

Low-skilled newcomers are arriving in fast-changing labor markets. On both sides of the Atlantic, employment in agriculture and industry is stable or shrinking, meaning that almost all job growth is in services. The most recent EU-projections by Cedefop-Eurofound covering 2017-2030 indicate that the overall labor force will increase only slightly (+1%) in the EU28 plus 3 (Norway, Switzerland and Iceland) between 2016 and 2030, but will exhibit large variations between the EU-Member States (EU-MS). (Cedefop & Eurofound, 2018) Many Central and Eastern European countries as well as some EU-MS in the South-East will experience labor force and employment declines driven by population ageing and outward migration, while most Nordic and Western European countries will experience increases. It is the services sector which will drive employment growth while basic manufacturing employment is expected to decline. Significant growth in employment is expected for high-skill occupations (managers, professionals and associate professionals), together with some growth for less skilled jobs in sales, security, cleaning, catering and caring occupations. Job losses are projected in medium-skill occupations, such as skilled manual workers (especially in agriculture) and for clerks, as well as many elementary tasks. These changes result from a changing sectoral and occupational mix, partly driven by technological innovation. The Eurofound analysis suggests an increase in job polarization, a shift towards more autonomy, less routine, more information and communication technology (ICT), fewer physical tasks, and more social and intellectual tasks over the forecast period.

The most recent US projections covering 2018-28 expect employment growth of nine million, including half in five occupations, healthcare practitioners, food service, personal care, healthcare support, and education and training. Three of these five growth occupations hire large numbers of low-skilled migrants, viz, food service, personal care, and healthcare support.

#### Europe

The OECD is the leading institution generating comparative data and conducting comparative studies of employment and migration in industrial countries. Its pioneering

work in two areas, economic globalization and the future of work, highlights the interactions of low-skilled migrant workers and jobs. (Spielvogel & Meghnagi, 2018)

The OECD Employment Outlook 2019 called digitalization, globalization and demographic change the three major megatrends reshaping industrial country labor markets, with a seventh of jobs susceptible to automation within two decades and another third of current jobs "likely to change radically as individual tasks are automated." (OECD, 2019: 15) Many of the jobs at risk of disappearing or changing employ low- and middle-skill workers who have few savings and little access to "social protection, lifelong learning and collective bargaining" (OECD, 2019: 19) to help them to anticipate and adjust to disruptive labor market changes.

The OECD cites worse labor market outcomes of young workers without post-secondary schooling, inadequate employment protections as more workers switch from employee to impendent contractor status, and few unions representing the most vulnerable low-skilled workers. The OECD calls on governments to ensure that workers have access to lifelong learning opportunities that ease transitions between jobs and to revise social protection systems to ensure that workers in new forms of employment are protected.

The OECD (2019: 2.1.4) noted that over five million migrants settled in OECD countries in 2017, when there were four million temporary migrant workers and three million foreign students in OECD countries. Migrant workers help overcome skills shortages but are often in low-skilled jobs that could be automated.[2]

### USA and California

The US economy and labor market are very strong after a decade-long expansion. The US unemployment rate was below four percent in 2019, as steady job growth continued, and hit a 50-year low of 3.5 percent in September 2019. Employers continued to add jobs, although ever more workers are employed by staffing firms, have uncertain schedules or are laid off after projects end, or are considered independent contractors. Inequality is rising, as the already wealthy and the best-educated capture an increasing share of income and wealth.

[2] The OECD (2019, 2.1.4) reported that 47 percent of foreign-born workers are in occupations that primarily involve routine tasks and most exposed to automation, and that many migrants are in low-skilled jobs.

The slowdown in unauthorized Mexico-US migration since the 2008-09 recession, rising minimum wages in the states with most workers such as California, where the minimum wage is $12 an hour in 2019, and movements such as fight for 15 that urge a $15 an hour minimum wage have put upward pressure on the wages of low-skill workers and forcing adaptations in low wage sectors such as restaurants and hotels that have high shares of immigrants and high worker turnover. A third of workers in restaurants and hotels are immigrants, almost double the immigrant share of US workers.

Almost 11 million workers were hired by restaurants and hotels in 2018, while 7.5 million restaurant and hotel workers quit their jobs. Hourly restaurant wages were almost $15 an hour including tips in May 2019, the highest restaurant wage on record. Restaurant wages rose in part because of the $15 an hour wage instituted by Amazon for its employees.

### Employment and Training Programs

The US has an immigrant integration-via-work policy based on flexible labor markets and a relatively thin social safety net whose benefits are normally off limits to unauthorized foreigners and legal immigrants until they have worked in the US at least 10 years. A common saying, for both immigrants and natives, is that upward mobility in the US is achieved in an ABC fashion, meaning that A job leads to a Better job leads to a Career.

California has embraced market-oriented training and retraining programs, turning welfare-dispensing offices into employment assistance centers.

### Automation Challenges

Artificial intelligence (AI) involves machines that can mimic human minds to learn and solve problems and to move and manipulate objects. First-wave machines eliminated difficult work, such as tractors pulling plows or cranes lifting containers. Machines are evolving to do more sophisticated work, as with self-driving tractors and robots in automated warehouses.

Most industrial robots do not use AI. Instead, they perform a repetitive task, such as welding auto parts into cars. AI machines that learn over time by collecting and processing data are doing more of the work in structured and predictable environments such as factories. Intelligent systems that use machine learning to adaptively adjust to

new information are spreading due to the explosion of computing power and the increase in data availability.

AI machines and systems are likely to spread, changing jobs that range from tax preparation to medical diagnoses. AI is poised to eliminate jobs but not work, since the increased output made possible by AI should create demands for new services and jobs. However, there may be more labor market churn, with ever-fewer workers employed in one occupation for one employer over a lifetime.

Governor Gavin Newsom in May 2019 announced the creation of a future of work commission to consider state responses to automation that increases churn in labor markets and deal with the insecurity associated with the independent contractors engaged in app-based work. The workforce training and retraining system has evolved over the past half century in response to changing labor markets, becoming more attuned to the skills needed by employers so that workers who learn skills required by employers can quickly find jobs that use these skills.

### Low-Skilled Migrants and Jobs

The first point of contact for most of the low-skilled migrants arriving in EU member states in recent years has been a government agency that registers newcomers and sends them to cities where local governments provide housing and other services while their asylum applications are considered. After dealing with agencies that determine whether an individual is entitled to refugee or a temporary protected status, migrants are passed on to agencies that provide language and skills training before encountering agencies that help workers to find jobs.

There are many benefits to government-directed immigrant-integration policies and programs, overcoming individual educational and skills deficiencies that should make workers more productive when they find jobs in their new home countries. There are also disadvantages, including the risk that newcomers may become accustomed to receiving government services, making them reluctant to seek or accept the jobs available to them, especially if the job requires hard work and unsocial hours. Managing the transition from tax-free services to paying taxes on earnings from work could be a major challenge (Aiyar, 2016).

In California and the US there are fewer concerns about getting migrants into jobs and more worries about working-poor migrants. Most newcomers find jobs in less-regulated

US labor markets, but many do not earn enough to lift their families above the poverty line of $24,300 for a family of four in 2016. A worker employed full time (2,000 hours a year) at the federal minimum wage of $7.25 an hour earns $14,500 a year, and a worker employed in higher wage California, where the state minimum wage was $10 an hour in 2016, earns $20,000. However, since health insurance and pensions are often linked to work, employers of low-skilled migrants may offer limited or no work-related benefits.

### Austria

Austria experienced three waves of significant net immigration since the early 1980s; the first in the mid to late 1980s, a consequence of democratization developments in Central and Eastern European Countries (CEECs) - culminating in the fall of the Iron Curtain, and the demise of former Yugoslavia in the early 1990s. Many of the migrants were medium to low-skilled refugees. The second wave of immigration set in towards the end of the 1990s as a result of Austria's membership in the EU in 1995 and the stepwise opening of migration to citizens from the CEECs as they became members of the EU (2004 and 2007). The third wave of immigration set in in 2011 at the end of transition regulations for migrants from the EU-8 (Poland, Czech Republic, Slovakia, the Baltic States, Hungary, Slovenia) but gained momentum with the unprecedented refugee inflows from the Middle and Far East (Syria, Iraq, Iran, Afghanistan). While the majority of migrants from the CEECs were skilled or highly skilled, this was not the case for refugees between 2014 and today. In order to facilitate their integration, Austria invested heavily in further education and training programs.

The latest wave of refugee inflows triggered the development of new concepts for further education and training. The main assumption of the initiatives was that successful, long-term integration of refugees could best be achieved by vocational education and training (VET) measures. The goal was to provide facilities for the attainment of formal qualifications. The starting point was the identification and validation of skills acquired abroad, to provide a basis for further education and training towards the achievement of professional qualifications in specific occupations. This meant that the education and training approach had a medium-to long-term perspective to ensure sustainable employment and career prospects rather than the quick insertion into any type of job. This is due to the understanding that individuals with a low educational attainment level have poor job prospects and a high risk of unemployment. Therefore, the aim was to offer a comprehensive professional qualification – be it in a

full-time school-based setting (vocational schools and vocational colleges), in the dual system (work-based apprenticeship in combination with vocational schools), or in adult further education centers.

These initiatives are important in their own right as they open up employment and career prospects for low- and medium-skilled migrants and refugees. At the same time the supply of skilled labor is raised, thus compensating for the declining numbers of youth in this medium skill education stream. The latter is a consequence of demographic change with the baby-slump generation entering this age group, in combination with the general trend towards higher education. The combination of an educational policy with an integration strategy is based on the belief that societal cohesion and economic growth are better served by these initiatives than by a laissez-faire policy which leaves it up to the individual to fend for himself in an era of rapid economic and technological change.

### Germany

Germany received 1.6 million applications for asylum between 2015 and 2018, over 40 percent of all asylum applications filed in the EU-28 member states over this period. At the end of 2018, there were 1.8 million asylum applicants and refugees, most of whom are likely to stay in Germany.

A panel of 7,500 asylum applicants and refugees provide data on the integration of those from three major source countries, Syria, Iraq, and Afghanistan. Only a quarter of citizens of these three countries in Germany completed secondary school, compared with 55 percent of Germans, and over a third completed upper secondary school, compared with 40 percent of Germans. The big gap is at primary school, where 40 percent of refugees, versus five percent of Germans, completed only primary school.

The refugees in Germany are better educated than Syrians, Iraqis, and Afghanis in their home countries. For example, a quarter of Iraqis and Afghanis have no schooling, compared with over half of persons in Iraq and Afghanistan. Nonetheless, many of the male refugees of these source countries in Germany were considered to be skilled workers in their countries of origin.

About 40 percent of working aged refugees who arrived since 2015 were employed in October 2019, that is, after four years in Germany. Many of those who had skilled or expert jobs at home are filling unskilled jobs in Germany. Asylum applicants from safe countries (ex-Yugoslavia) were more likely to get jobs in Germany faster.

## Mobility in Low-Skilled Labor Markets

Work is the exchange of effort for reward. Work involves employees giving up control over some of their time to employers in exchange for monetary wages and work-related benefits. Unlike many other market transactions, such as a customer buying an item in a store and never shopping there again, work requires a continuous relationship between the employer and employee in the workplace, as supervisors assess employee performance and workers consider their satisfaction with the job. Employers may terminate unsatisfactory workers, and dis-satisfied workers may quit their jobs.

There is a second important dimension of labor markets that make them unique. Goods that are purchased do not care who buys or consumes them, but workers care about their supervisors and fellow workers and the society in which they live. Workers are multidimensional, with lives outside the workplace that include raising families, participating in leisure activities, and voting for politicians who collect taxes and allocate resources while setting the rules of the society and economy.

Mobility is the key to labor market adjustments; mobility ensures the “best” workers are in the “best” jobs. Employers try to recruit the best workers, develop remuneration packages to encourage them to perform, and offer promotions to retain them, since experience is usually associated with higher productivity. Workers may quit one job and move to another to achieve higher wages, better benefits, or more opportunities. The movement of workers between jobs is considered a normal component of well-functioning labor markets.

Labor markets have three major functions, viz, recruitment, remuneration, and retention. Recruitment matches workers with jobs, remuneration or the wage and benefit system motivate workers to perform their jobs, and retention systems assess workers to identify and retain the best. Most workplaces have human resources departments to manage these three labor market Rs to ensure that the firm has productive and satisfied employees.

### Europe

The incorporation of low-skilled migrants into the labor market differs between EU-MS in response to differing economic and technological development levels, institutional landscapes and degree and type of segmentation of the labor market. In general, low-skilled migrants tend to access employment in the secondary labor market. But the

character of the secondary sector differs between EU-MS. While Austria tends to have a certain complementarity between low-skilled migrant and better skilled native workers, Southern European countries as well as France tend to differentiate between permanent employees and contract labor, independent of skill level. Germany opened up a low-wage sector similar to Anglo-Saxon countries with the introduction of labor market reforms in 2002, reducing the generosity of the benefit systems and lowering levels of protection against dismissal.

The structural and institutional respectively regulatory specificities differ between the EU-MS, but secondary labor markets tend to be the major vehicle for labor market flexibility. What they have in common is a limited permeability between the primary and secondary sector with limited chances of low-skilled workers, many of them migrants, to move out of unstable and low-wage jobs and up into better ones.

As demand for low-skilled labor is declining, investment in education and training has been identified by all EU-MS as the crucial factor for the improvement of employment prospects. To promote education and training, the EU 2020 strategy includes the establishment of a system of lifelong learning in all MS. The implementation and the progress of such as system are monitored on the basis of indicators, which are compounded in the European Skills Index. The index is built around three pillars, skills development, skills activation and the matching of skills supplied by workers and those required by employers. While most countries have fairly well-developed instruments for upskilling and activation, matching is increasingly challenging, given different degrees of complexity of labor markets across Europe.

The EU-MS in the forefront of technological and structural change are among the best in skills development, as change affords a continuous adaptation of worker skills to the new needs. Accordingly, Nordic countries are the best performers relative to skills development (pillar one), followed by Estonia, Slovenia, Luxembourg and Austria. At the lower end are Southern European countries, together with some CEECs (Romania, Bulgaria and Hungary), but also France and Ireland.

As rapid change implies frequent phases of unemployment over the lifetime, activation measures are important active labor market policy instruments in most EU-MS, to avoid long-term unemployment and social exclusion. The best performing countries relative to activation measures are Sweden, the Netherlands and Austria. At the lower end of the scores we find the same countries as in pillar one. In contrast, in

pillar three, the most effective countries relative to job matching are a totally different set of countries with the Czech Republic in the lead, followed by Malta, Luxembourg, Hungary and Poland. At the lower end are Southern European countries, but also Ireland and the UK.

The diverse performance of the various EU-MS at the level of pillars indicates that not one EU-MS is outperforming other countries in all dimensions of skills adaptation to the needs of the labor market on the one hand and personal aspirations on the other. This implies that there is room for learning from best practice examples of institutional performance in the one or other country and policy area.

The high score of Nordic countries in skills development is mirrored in the highest participation rate of workers in education and training in Europe, while Southern European countries, some CEECs as well as Germany are at the lower end of participation in education and training.

### US Mobility

What was the economic mobility of successive waves or cohorts of low-skilled immigrants between 25 and 64 from Mexico and Central America after their arrival in the US, beginning with the 1965-69 arrival cohort and ending with the 2005-11 cohort? Census and other data find that Mexicans and Central Americans earn significantly less after arrival than similar US-born workers, but the initial earnings gap and rate of catch-up has been stable rather than widening. Second, Mexicans and Central Americans have very high employment rates, in part because most come to the US to work and many are unauthorized and not eligible for social welfare benefits. The 2008-09 recession slowed earnings convergence.

Workers born in Mexico and Central America were 5.5 percent of US workers in 2017. However, they were 24 percent of workers employed in agriculture, and 15 percent of the workers employed in construction. About 12 percent were in the six states with the most immigrants. Mexicans and Central Americans employed in agriculture and personal services find it hard to increase their earnings relative to similar US-born workers, which may encourage them to shift to other sectors that offer higher wages and more upward mobility, such as construction. Indeed, construction stands out as the sector where newcomers face the smallest earnings gap and the fastest catch up to the earnings of similar US-born workers.

## Policies toward Low-Skilled Migrant Workers

Governments aiming for full employment have programs to help low-skilled workers to upgrade their skills and find jobs. Most European governments have more comprehensive social safety net programs and more active employment and training programs than the US.

### European Policies

The skill composition of immigrants in Europe is diverse, but a large proportion of migration, in particular family migration and refugee migration, as well as some of the intra-EU migrants, are low skilled. The focus on highly skilled third country immigrants is only a fairly recent political objective in most EU-MS.

European employment policies toward migrants aim to ensure that the migrants find jobs that utilize their skills and qualifications and do not place migrants in jobs for which they are overqualified. This policy objective is based on the understanding that upward mobility from low-skilled jobs and low wage jobs is limited in many EU-MS. Accordingly, many EU-MS have implemented procedures to recognize, validate and accredit skills and qualifications acquired abroad.

Policy toward low-skilled migrants involves a range of programs, including those targeted on particular groups and those open to all workers regardless of skill. The targeted programs focus on language training, orientation and integration guidance courses, while general policies are open to all. One new direction is to help disadvantaged regions as well as disadvantaged groups of persons.

Many EU countries reduced spending on Public Employment Services (PES) after the financial crisis of 2008-09, which has meant fewer education and training programs for low-skilled migrants. As in the US, more governments aim to promote quick job-uptake rather than long-term career developments. Most employers are reluctant to invest in training for low-skilled workers, in particular migrants, but some participate if governments provide subsidies.

Effective policies require a “whole of government approach”, including the social partners, NGOs, the PES, as well as civil society as service providers.

### US and California Policies

The US has federal immigration and labor law policies, but not federal integration policies. Federal government policies determine who can enter the US and what

foreigners can do inside US borders, and establish and enforce labor laws that set minimum labor market standards, but leave many social safety net programs associated with integration to states. The federal government provides block grants to states for cash welfare assistance and job training and retraining and offers matching funds to states to provide health care to poor residents.

Some state policies track federal policies closely, while other states elect to do more, giving the US 50 different labor market and integration policies. For example, the minimum wage in California in 2019 is $12 an hour while the US minimum wage was $7.25, and California requires more employers to provide workers with unemployment insurance than does federal law. Similarly, California has elected to be more generous with cash welfare assistance than required by federal law, and has elected to provide poor unauthorized foreigners under 27 with health care at no cost.

### Covid-19 and Low-skill Workers

The COVID-19 pandemic has radically transformed the lives of people around the world. Measures to reduce physical contact reduced economic activity and increased unemployment, and migrants with little education were among those most adversely affected.

The full impact of the pandemic on employment and jobs is not yet clear. Government short-time work stimulus, and other policies aim to preserve employment in the short term. A wide range of longer-term changes may transform the world of work, as more professionals and many service workers perform their jobs from home rather than commute to offices. A future of more remote work could mean more investment in homes and less in center cities, which could mean the disappearance of essential jobs that range from restaurant workers to security guards to janitors.

Migrant workers who once found jobs in center cities may increasingly find jobs building and repairing homes away from city centers, which may make them more visible in smaller communities and perhaps further from integration services. Migrants are likely to remain concentrated at the top and bottom of the job ladder, overrepresented among professionals in health care and among farm workers, but their status in the world of work may be changed forever by the pandemic.

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# Changing Jobs and Migrant Workers: The Case of Europe

Gudrun Biffl and Thomas Liebig[1]

## Introduction

This paper focuses on the changing world of work and migrant workers in the European Union. Rapid technological progress, globalization, increasing European integration, ageing and migration have changed the landscape of work and the composition of the workforce by age, gender, education, occupation and ethnic-cultural background. The world of work has been transformed by massive innovation in information and communication technologies, the introduction of robots, digital technologies and artificial intelligence. All these components of technological progress interact and result in fast industrial restructuring. Accordingly, technological as well as structural and process-related changes characterize the digital economy. (Arntz et al., 2016) As machines increasingly substitute routine jobs, manufacturing employment declines. At the same time jobs are created in the context of digitization and implementation of artificial intelligence (AI), above all at the higher end of the skills segment, often at the cost of low-skilled workers, particularly migrants.

Economic and workplace restructuring is linked with a rise in atypical employment, away from full-time open-ended employment to temporary and contract jobs. In addition, job polarization occurs as demand for routine work declines and middle-income groups are hollowed out. Also, the traditional distinction between different forms of employment is becoming blurred with the platform economy entering the scene of work, testing the capacity of social welfare systems to cover all workers.

The demographic and skills composition of the workforce is undergoing rapid change with migration playing an ever-increasing role. The latter is largely the outcome of rising intra-EU mobility as well as significant inflows of third-country workers and their families, and refugees from all corners of the world have also contributed.

The changing landscape of work and workers represents a challenge for policy makers as the process of restructuring knows winners and losers. In order to ensure a

[1] International Migration Division, OECD. The views and opinions in this chapter are those of the authors and not of the OECD or its member countries.

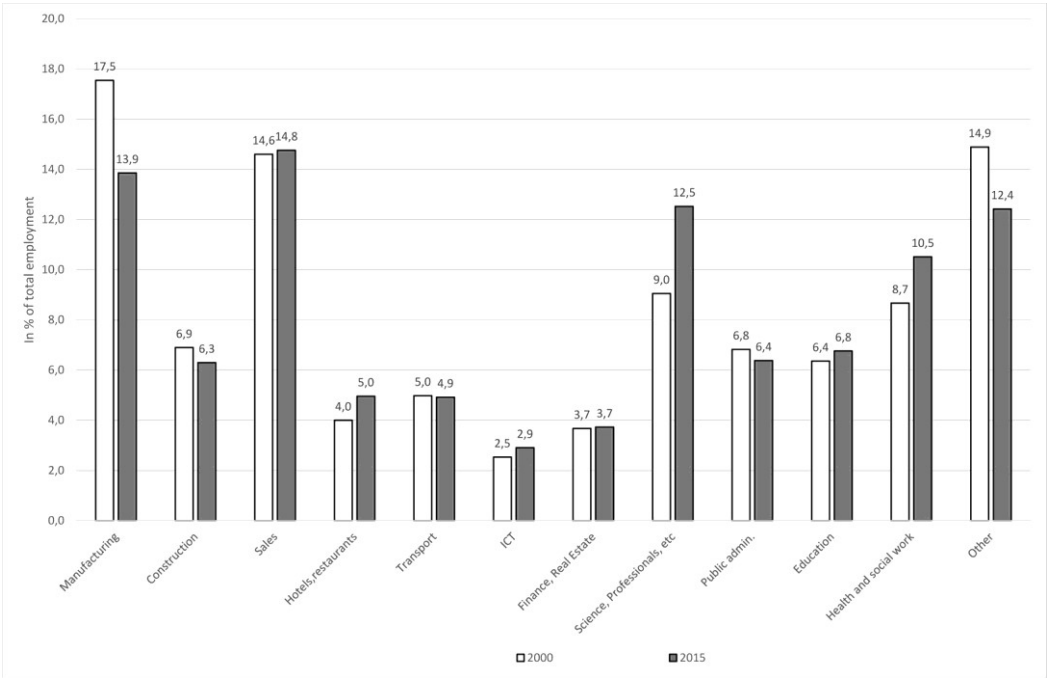
competitive, inclusive and sustainable socio-economic environment, measures are taken to promote the adaptability of the workforce and to strengthen social cohesion.

### Changing Jobs and the role of migrants

ICT developments, digitalization and artificial intelligence are generating an economic transformation that affects all industries on a scale, scope and complexity that may only be likened to the impact of the steam engine during the first industrial revolution. The transformations promote the growth of services rather than manufacturing. It can be taken from Figure 1 that between 2000 and 2015 the employment structure by industry and skills has shifted towards science and highly skilled professionals on the one hand and to labor intensive occupations that do not lend themselves easily to technologically induced productivity increases on the other. The latter is reinforced by demographic ageing and the concomitant increasing demand for health and care services.

Between 2000 and 2015, total employment in the EU28 has increased by 6.7% (+14.5 million) to 229.3 million. This substantial employment growth is entirely due to services growth, with an increase of 18.8% (+26.1 million) to 164.9 million workers in 2015. In contrast, employment in manufacturing declined by 15.7% (-5.9 million) to 31.8 million workers. Accordingly, the share of manufacturing in employment declined from 17.5% of all employed in 2000 to 13.9% in 2015. The employment share of the construction sector remained fairly stable at 6.3% or 14.4 million workers in 2015 (after 6.9%, 14.8 million workers, in 2000).

*Figure 1: Employment structure by industry in the EU28: 2010 and 2015*




Source: EU KLEMS; ESDE 2018, data taken from chapter 2.1, chart2.1.

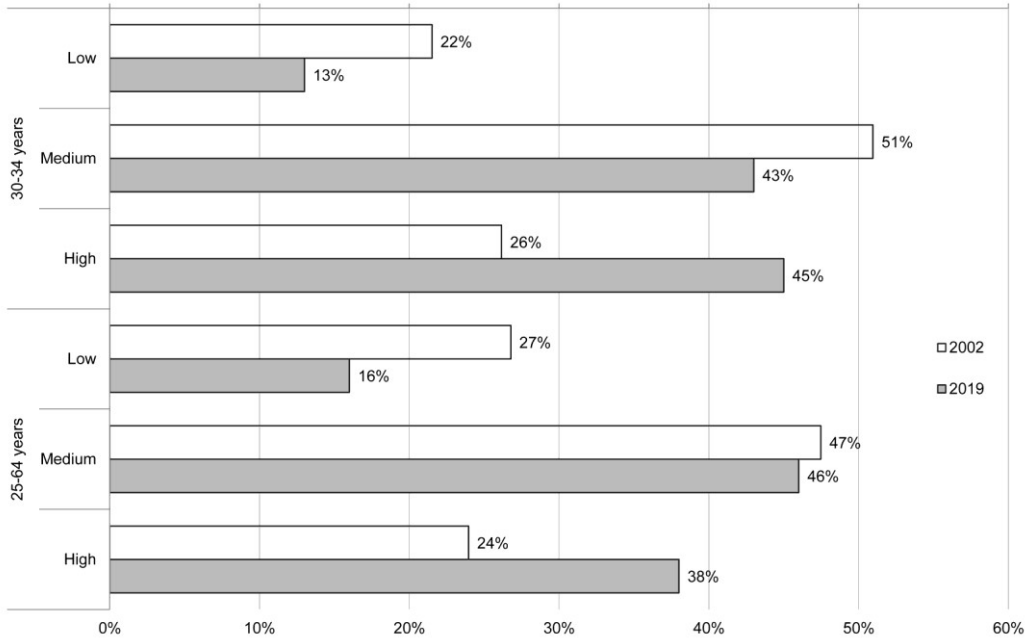
Employment growth has been concentrated in science and research as well as professionals and engineers, raising their share in total employment from 9% in 2000 to 12.5% 2015 (+9.3 million, +47.7%, to 28.7 million). In these occupations, capital deepening was significant, with skilled labor often complementing machines – thereby creating jobs, while routine tasks in the lower and middle range of the skills segment – above all plant and machine operators in manufacturing and clerical support workers in services - tend to be substituted by robots and computers, to raise productivity and efficiency. The consequence of routine-biased technological change is increasing job polarization. (Goos et al., 2014; Acemoglu & Autor, 2011)

However, not only highly skilled professionals are in rising demand but also labor-intensive health and health care services together with social services. The share of this group of workers has risen from 8.7% to 10.5% of total employment between 2000 and 2015 (+5.5 million, +29.5% to 24.1 million workers). The employment growth of the Health and Social Work sector is expected to remain dynamic, given a continued rise in

the numbers and the share of over 65-year-olds in the total population until 2100. (Eurostat, 2019)

Not only the demand for skilled labor increased but also their supply, flowing from an autonomous increase of skills via the education system, and an augmentation via migration. This assessment can be substantiated by the rising proportion of highly skilled persons among younger birth cohorts: in 2019 45% of the 30-34-year-old workers were highly skilled compared to 38% of the 25-64-year-olds. (Figure 2) Also, the speed of upskilling over time is faster among younger cohorts than older ones (2002: 26% vs 24%).

*Figure 2: Composition of employment by educational attainment in the EU28 in %: 2002-2019*




Source: Eurostat, EU-LFS.

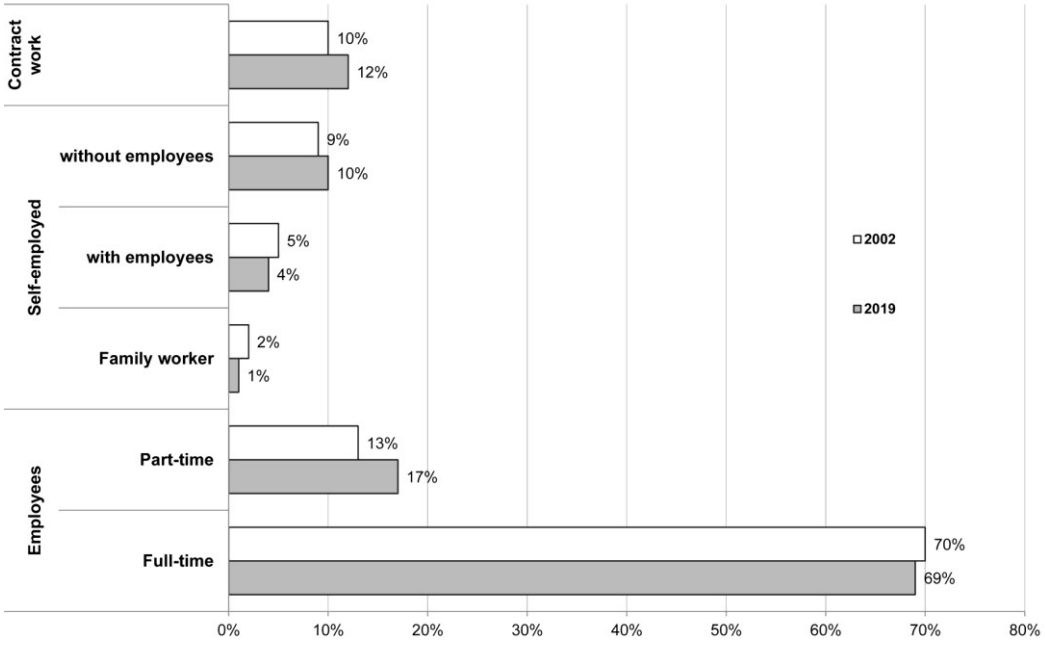
In spite of the concomitant increase of demand and supply of skilled workers, matching of demand and supply becomes increasingly difficult. Those graduating today are more often overqualified for their first job than the graduates of the 1990s. According to the Europe 2020 indicators of employment, in 2017 22.7% of employed tertiary graduates were in occupations not requiring their level of education, +1.9 percentage

points vs 2008. (EU 2018) This is in part due to a greater diversity of job tasks and non-standard work practices and processes at all skill levels, for which the education system does not necessarily prepare; in addition, artificial intelligence and digital technologies accelerate the change in occupational competences required to fulfil the tasks of a digital economy. Robots and digitalization tend to reduce the demand for middle-skilled and low-skilled workers. This tendency is more pronounced today than in previous waves of technological progress. (Nedelkoska & Quintini, 2018) These developments suggest that there is a need for continued education and training for large segments of the workforce, but above all for low-skilled workers. (Cedefop, 2018)

The internet and innovative technologies create a new group of workers, many of them on short-term tasks in the gig economy. This labor market segment developed in the aftermath of the 2008/09 global economic recession as more and more people lost their jobs and consequently turned to whatever was available. A series of innovators seized their chance with new gig apps and websites. Jobs included both low-skilled one-off services, e.g. food delivery, as well as higher-skill contract and freelance work, e.g. web development.

Digital labor markets which are organized around collaborative platforms are becoming more and more prominent. (Kässi & Lehdonvirta, 2016) These internet-based platforms create an open marketplace for professional service providers as well as private individuals. They allow the remote delivery of electronically transmittable services (e.g., Amazon Mechanical Turk, Upwork, Freelancers, etc.) as well as digital matching and administration processes where the delivery of the services requires direct interaction locally. The findings of Codagnone et al. (2016) indicate that the platform workers want to earn money by undertaking these activities, but the earnings tend not to suffice to make a living; the workers are mostly under-employed or self-employed. The majority are men and university graduates, even though the activities do not, for the most, require high levels of education. This may be due to the fact that better educated people tend to be more comfortable with ICT applications than low-skilled workers.

*Figure 3: Share of employment status in total employment in the EU28 in %: 2002-2019*



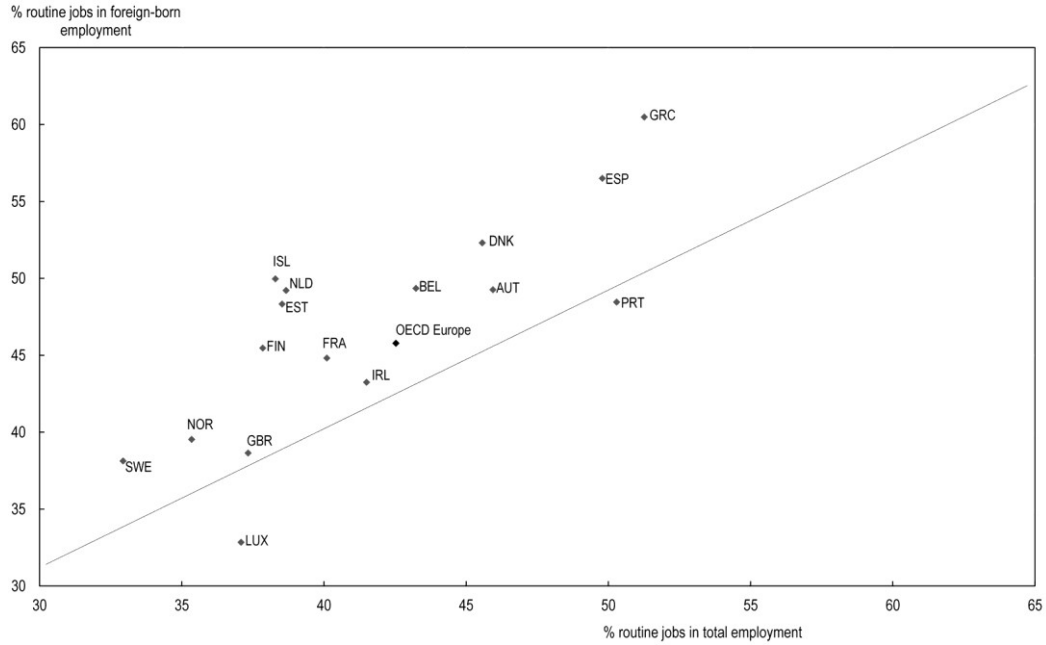

Source: Eurostat, EU-LFS.

Surveys indicate that there are large differences in the take-up of platform work in the EU. While estimates for Germany suggest that less than 1% of the adult population engages in platform work (Maier et al., 2017), the proportion is higher in the UK with some 4% and in the Netherlands with 9% (Pesole et al., 2018). While these numbers are still comparatively small, the upward trend is gaining momentum. This provides challenges for governments regarding taxation, and there is also concern regarding lack of coverage by social protection systems. Since there is no formal employment relationship, platform workers count as self-employed. In view of pronounced competition among platform workers, compensation for the services supplied tends to be low and job security is virtually non-existent, which turns platform workers into a particularly vulnerable group of workers.

In spite of all the above developments, the majority of workers in the EU28 continues to enjoy a full-time job (69% of all employees in 2019 as compared to 70% in 2002). Part-time work is on the rise (17% of all employees in 2019 vs 13% 2002) just as contract work

(12% of total employment in 2019 vs 10% in 2002). We see also increasing numbers of self-employed without any employees, so called solo-self-employed. In 2019 they constituted 10% of total employment (vs 9% in 2002). (Figure 3)

*Figure 4: Total employment share, and share of foreign-born employment in routine occupations in selected European countries, 2015*



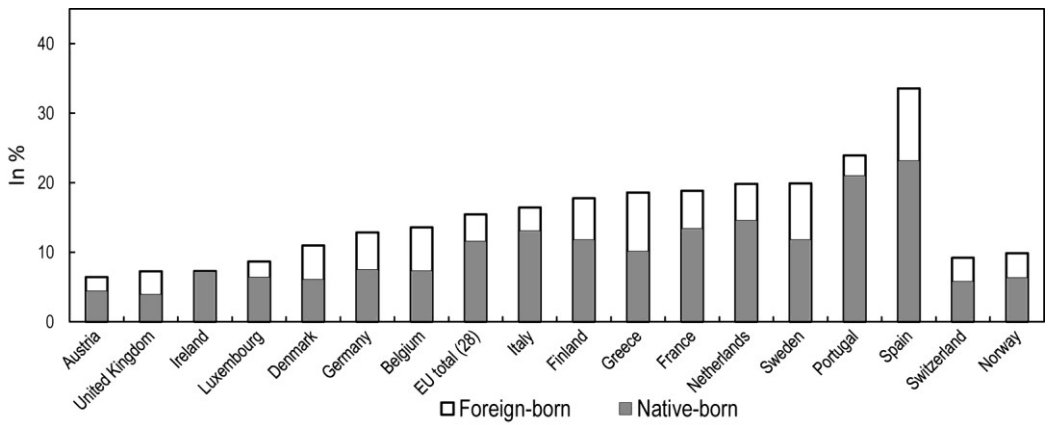

Source: OECD 2017a, Figure 2.12. Routine task intensity (RTI) from Goos et al. (2014). OECD 2017a.

Migrants tend to be more than proportionately represented in occupations with a high routine component of tasks, as Figure 4 indicates. This puts them in a higher risk category than natives as far as job losses are concerned, particularly low-skilled migrants. In addition, migrants are more likely to be on fixed-term contracts (Figure 5). While this gives the employer more flexibility in adapting the workforce to changing market conditions, migrants are disproportionately affected by job loss in situations of economic and technological shocks.

What adds to their vulnerability is their overrepresentation among those with low skills virtually everywhere – especially when language skills are taken into account (Figure 6). Given this situation, training needs are particularly pronounced. However,

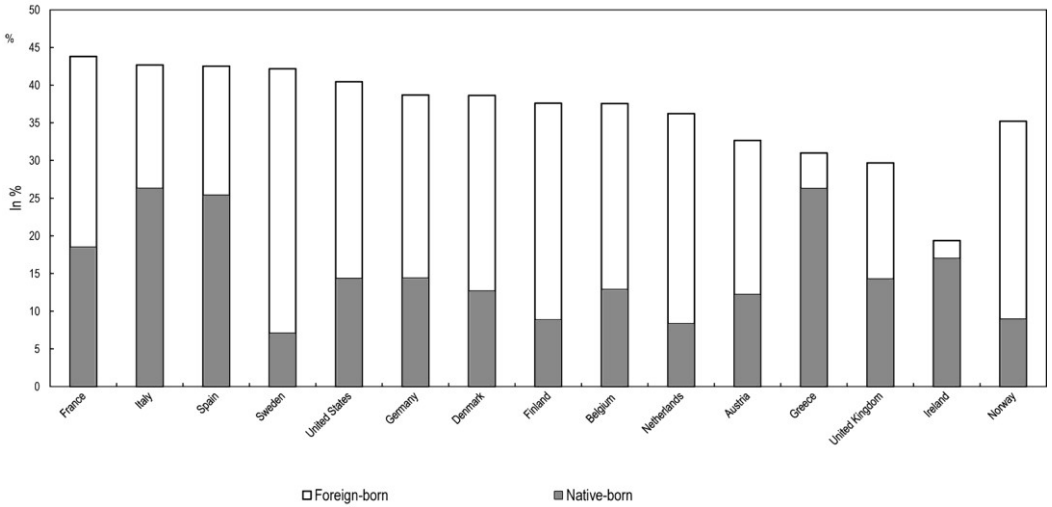
one also observes a lower participation of migrants in training (Figure 7). This is often due to lack of access to such training and/or lower employer propensity to invest in migrant workers. Thus, several factors contribute to the more vulnerable labor market position of migrant workers: their concentration in jobs with a high job automation potential, the higher likelihood of a fixed term contract, lower skills levels, and the lower probability of receiving professional training. What is more, migrant workers have fewer professional networks and knowledge about labor market functioning, and may also be subject to discrimination (Liebig & Huddleston, 2014). For these reasons, migrants are more vulnerable than natives and in need of re-qualification into more promising and sustainable jobs and occupations. The up-and re-skilling of low-skilled migrants should take the emerging needs of a digital economy into consideration. If EU-MS do not succeed in developing a strategy towards up- and re-skilling of migrants, the technology-induced economic and workplace restructuring may result in a socio-economic stratification along ethnic-cultural lines. This would represent a challenge for social cohesion and stability.

*Figure 5: Share of workers with temporary contracts: Percentages of all wage-earners, 15- to 64-year-olds, 2015-16*



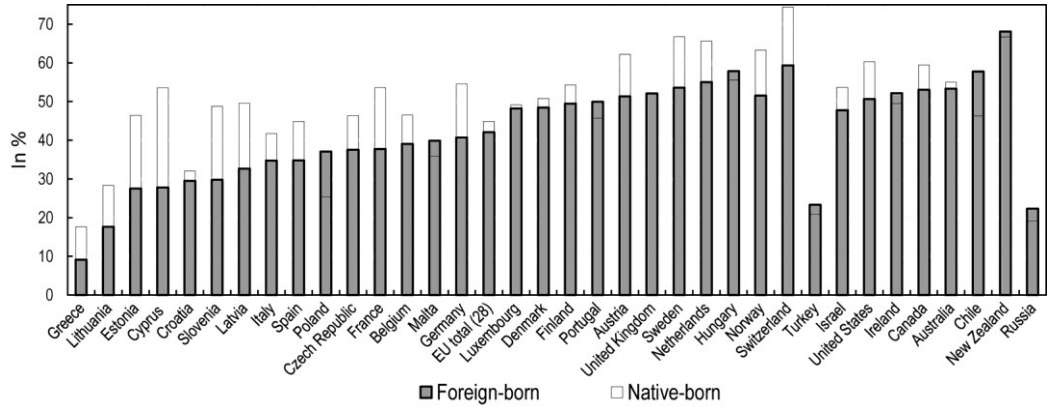

Source: OECD & EU (2018).

*Figure 6 Adults with very low literacy proficiency (Level 1 or below), by place of birth*




Source: OECD (2018), Figure 2.5.

*Figure 7: Participation in adult education and training among the foreign- and native born: 2016 (percentages of adults 25-64 years old)*




Source: OECD/EU 2018, Figure 3.5.

## Changing workforce composition

Not only technological progress transformed the European labor force but also social changes. One of the most important is the rising labor force participation of women, the other the rising share of migrants. Today (2019) 69% of all women in the EU28 are in the

labor force, 7 percentage points more than in the early years of 2000. Thus, women constitute 46% of the active population (15-64-year-olds). In spite of this significant rise, a gender gap of 10.7 percentage points continues to persist; in addition to this pronounced participation gap, the gender pay gap[2] declines only slowly to 15.7% in 2018, after 17.7% in 2006. The inertia of the pay gap is due to the high and rising share of women in part-time employment; in addition, women tend to work in larger proportions in lower-paying sectors and in lower-ranking positions than men. These differences are on the one hand the result of traditional gender roles, on the other of institutional settings, in particular the tax system and the amount and composition of public spending on families, particularly child care (cash and/or services); the latter impact on the work incentives of women in a family context. (Biffl, 2008; Thévenon, 2013)

As to migrants: in 2019, almost 10% of the labor force of the EU-28 (15-64 years old) were foreigners, namely 21.6 million, compared to 7% (16.7 million) in 2010. The share of mobile EU citizens among migrant workers is on the rise from some 40% in 2010 to 47% in 2019. Thus, more than half of all migrant workers in Europe continue to be from third countries.

Migrant characteristics vary significantly across countries. Spielvogel and Meghnagi (2018a) analysed the contribution of migrants to changing labor markets in Europe and the US. One common feature across countries is that migrants are generally less educated than young entrants of native-born but more educated than recent retirees. In Europe, immigrants from other EU countries have generally higher levels of education than those coming from third countries. Both improvements in terms of educational attainment and the replacement of older workers by new more qualified cohorts have had an impact on the occupational composition of the labour force, characterised by a stronger growth of medium and highly skilled occupations. In particular, due to their higher skills, young entrants in the labour force tend to be employed in occupations different from those left by recent retirees. In other words, these two groups are not in competition on the labor market.

[2] The unadjusted Gender Pay Gap (GPG) represents the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees. The population consists of all paid employees in enterprises with 10 employees or more in NACE Rev. 2 aggregate B to S (excluding O). The GPG indicator is calculated within the framework of the data collected according to the methodology of the Structure of Earnings Survey.

Spielvogel and Meghnagi (2018a) also find that, compared with the overall labor force, recent migrants are more likely to find themselves in low-skilled occupations, where they often work below their formal level of qualification. More attention should therefore be given to reducing skills mismatch for immigrants, especially those coming from non-EU countries. While new entrants in the labor force – both young entrants and recent migrants from the EU and from third countries – see a similar share of employment in fast-growing occupations, recent migrants tend to have higher shares of employment in declining occupations. In addition, the contribution to labor force growth varies across migrant groups, with migrants from the EU having a larger share of employment growth in most occupations than non-EU migrants. This is not only due to their larger numbers but also related to their more heterogeneous composition, influenced by a number of factors including countries of origin, migration motives and host country policies.

In a complementary paper (Spielvogel & Meghnagi, 2018b) the authors assess the role of migration in the expected future labor force composition in Europe by 2030. While the currently observed increase in the share of young workers with tertiary education is likely to continue, the speed of the progress will strongly impact on the future labour force. Under the high education progress scenario, there will be 7.5 million more tertiary-educated workers in EU countries by 2030 than under the low trend scenario (106 million compared with 98.5 million). In this context, the role of international migration as a component of the labor force at the macro level will likely remain modest. In most European countries, even a relatively large increase in net migration flows would not have a large impact on the expected trends. However, migration could play a much more important role at the micro level, for example by narrowing regional imbalances across EU countries, or by reducing short term labor scarcity in specific occupations.

Migrants are to a large extent employed in secondary segments of the labor market. Grubanov-Boskovic and Natale (2017) subdivided the EU-15 labor markets into three distinct segments: the primary segment with jobs requiring high skills, offering high wages, tenure and good working conditions, the secondary segment with low-skilled jobs, low wages, unstable employment and difficult working conditions (machine operators, assemblers, elementary occupations), and an intermediate segment which tends to employ workers with medium skills, e.g. craft and trade workers, service and sales workers, and clerical support workers. The latter tend to carry a higher social prestige than secondary jobs, and the working conditions tend to be better than for

secondary workers but tend not to be as good as in the primary sector. According to Grubanov-Boskovic and Natale (2017:11), in 2015, 22.3% of third country nationals in the EU-15 were employed in the primary sector compared to 44.4% of the native workforce. In contrast, 42.5% were employed in the secondary sector and only 20% of the natives. In the intermediate segment we find a large concentration of mobile EU citizens, above all from the EU-enlargement countries of 2004 and thereafter.

The OECD (2020a) analyzed the presence of immigrants across sectors and countries, and their evolution over time. In Europe, sectors in which migrants were already strongly overrepresented in 2005 have also seen the strongest growth in migrant employment by 2018, while the reverse was the case in sectors where migrants were under-represented (Breem & Liebig, 2020). Sectors with strong immigrant presence in Europe tend to be low-skilled services sectors. A further finding is that concentration declines with duration of stay, with recent arrivals being more concentrated in certain sectors than longstanding migrants. Recent migrants are disproportionately often found in accommodation and food services. However, migrants are also over-represented in the information technology sector, which has become an important entry sector for newly arrived migrants since the early 2000s. In contrast, recent migrants are much less likely to be employed in the health and social services sector, compared with their settled peers. This is partly due to the fact that they must satisfy certain employment requirements in these sectors, notably for foreign credential recognition, that may take years to complete.

The concentration of migrants in particular segments of the labor market has important implications for their employment prospects in a digital economy. Both mobile EU citizens as well as third country nationals are working in jobs which carry a higher likelihood of automation than nationals. The likelihood decreases with increasing educational attainment levels of migrants just as of natives. The lower propensity of migrants to receive education and training hampers their chances to transit into jobs created in the process of digitalization and increased implementation of artificial intelligence. According to Biagi et al. (2018), jobs with a high automation potential are highly correlated with fixed-term contracts, and the correlation is higher for migrant workers than for nationals. These three factors taken together, namely the large proportion of work in jobs with a high automation potential, the large share of contract-work and the limited chances to receive professional training, put low-skilled EU as well

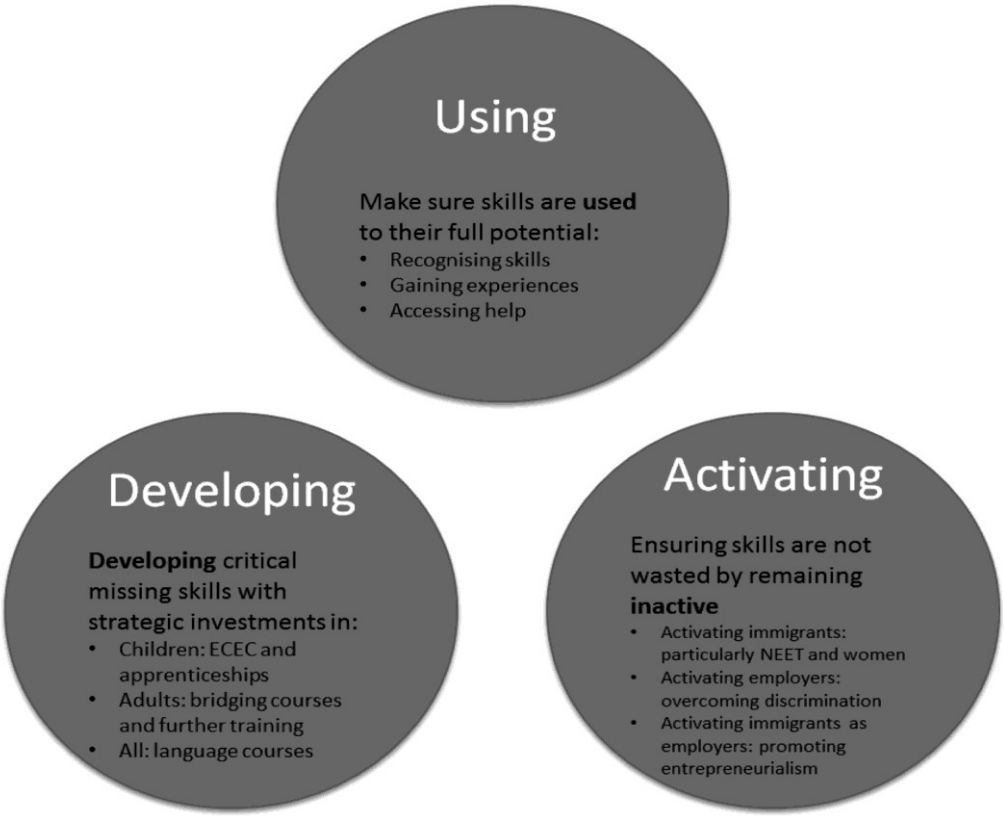
as third country migrants in a difficult economic situation in the digital economy. The consequence will be a further deterioration of their labor market integration, implying rising employment and income inequality along ethnic-cultural lines.

Biagi et al. (2018) suggest that the reduced demand for routine work as a consequence of the digital transition may have important implications for immigration to Europe and labor mobility within the EU. They argue that the reconfiguration of labor demand towards skills which are not easily available in the less developed countries, where many of the third country migrants originate, may hamper their access to European labor markets. This aspect is not taken into account in the medium- to long-term demographic projections, which continue to expect rising inflows of migrants to Europe, not least because an ageing Europe will be in need of additional labor resources. (Lutz et al.; 2018; Eurostat, 2019) But, as is pointed out by Rouzet et al. (2019) this rising labor demand could be satisfied by increasing the labor force participation of older workers, of women, youth and migrants, particularly of those with low levels of skills. Towards this end, lifelong learning programs should be offered to a larger extent to provide the skills required in non-routine jobs and to address the skills needs of technology-intensive occupations in the digital economy.

### Policy response

To make sure that migrants are well prepared for the changing skills demands of labor markets, a skills-centered approach should be taken (OECD 2014). Figure 8 provides an overview of the main policy responses. The starting point is to take stock of the skills of migrants, which includes an assessment not only of their formal qualifications but also of informally-acquired skills. With respect to the former, in recent years, there has been remarkable progress across OECD countries (see OECD 2017b). Regarding the latter, skills validation – both of formal and informal learning – is a promising tool, but too rarely used. Another issue is the public "recognition" of immigrants in the public discourse or with respect to role-model employment in the public sector, which is an often underestimated element in putting migrants skills to use. As mentioned, lack of networks and access to these is a key issue for migrant employment. Here mentoring is a promising route which is increasingly wide-spread in OECD countries.

*Figure 8: A skills-based approach to inclusion of migrants in a changing world of work*




*Source: OECD, 2014, Figure 2.19.*

Clearly, not all migrants have the skills needed to sustainably integrate into the host-country. Growing and changing skills demands require the development of new and different skills. The most obvious of such skills is the host-country language, and indeed this tends to be the single most important directly integration-related expenditure for OECD countries. Language courses are more effective when they are focused on the labor market, especially occupation-specific and on-the-job. Likewise, they need to be personalized to learners' needs (e.g. education level, degree of linguistic difference, motivation, family circumstances).

For those with foreign qualifications or work experience, developing skills also means to provide "bridging" courses to facilitate the acquisition of host-country qualifications

which tend to be highly valued in the labor market in Europe. Indeed, Damas de Matos and Liebig (2014) found that, in terms of skills use in the European labor market, the origin of the qualification matters more than the origin of the migrant him-/herself. What is more, the discount for foreign qualifications is much stronger in Europe than in the United States.

Finally, given the lower employment rates of many migrant groups in Europe – especially women and refugees – the activation of unused skills remains a challenge. This implies not only standard activation measures but also some migrant-specific instruments. With respect to the latter, combatting discrimination is a key challenge. Testing studies across a range of European OECD countries have shown that it is not uncommon for candidates with a foreign-sounding name to have to write twice as many applications as a person with an otherwise similar CV who has a native-sounding name. Overcoming this obstacle requires not only anti-discrimination legislation – which is implemented EU-wide thanks to the EU anti-discrimination directive – but also additional measures which overcome structural obstacles and stereotyping (see OECD 2020b for an overview).

On EU-level one of the main objectives is to ensure that the digital transformation does not leave anybody behind. (EC, 2018a:11) The most important policy challenge lies in the area of education and training policies. On the one hand the EU is encouraging youth to choose scientific, technical, engineering and mathematical university degrees (STEM-disciplines), on the other it wants to improve the matching of skills by harmonizing, respectively coordinating, curricula developments with business practices. In addition, digital skills are to be strengthened across all skill levels. Towards this end the European Commission developed a Digital Education Action Plan (EC 2018b) with a focus on schools, vocational education and training (VET) and higher education. According to this communication 90% of jobs require some level of digital skills. In addition to school-based learning the European Commission launched a comprehensive plan to upgrade the skills of adults in the New Skills Agenda for Europe (EC, 2016). The upskilling of the low-skilled workforce will require significant investment, with national schemes supported by the European Structural and Investment Fund. The Commission also contributes to the funding of research into the interaction between man and artificial intelligence (AI) as the latter tends to affect above all unskilled labor.

But non-cognitive skills such as creative and social skills, motivation and leadership, so called transversal skills, which are hard to codify and embed in digital applications, will also become increasingly important. Brunello and Schlotter (2011) suggest that the best way to incorporate these skills in work processes is workplace training. Moreover, the European Network of Public Employment Services promotes learning from each other to improve the matching between the supply and demand of specific skills and promote occupational mobility.

The vulnerability of migrants' in the labor market can easily extend to other socio-economic domains. The volatility of employment and earnings may translate into gaps in social protection, including pensions, and impact on residency rights. Accordingly, and to conclude, the changing nature of work, coupled with lower skills of migrants on average and a strong discount of foreign qualifications and work experience – especially in Europe, require efforts in terms of higher investments in upskilling and training. The current COVID-19 crisis, which affects migrants disproportionately and risks losing the progress made in labor market integration of migrants in Europe (OECD 2020c), appears like an apt time for making such investments.

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# California's rapidly evolving job markets and workforce system

Michael Bernick

## Introduction

The unemployment numbers for December 2019 show California in an extraordinary employment situation. The state unemployment rate was at 3.9%, the lowest unemployment rate since the new methodology was introduced in 1976. The state gained 12,600 payroll jobs over the month, and was now nearing 3.5 million payroll jobs gained since February 2010. The employment expansion has reached 118 months, the longest employment expansion since World War II. And then came Covid-19 and the unemployment rate soared to 13.5% in July 2020.

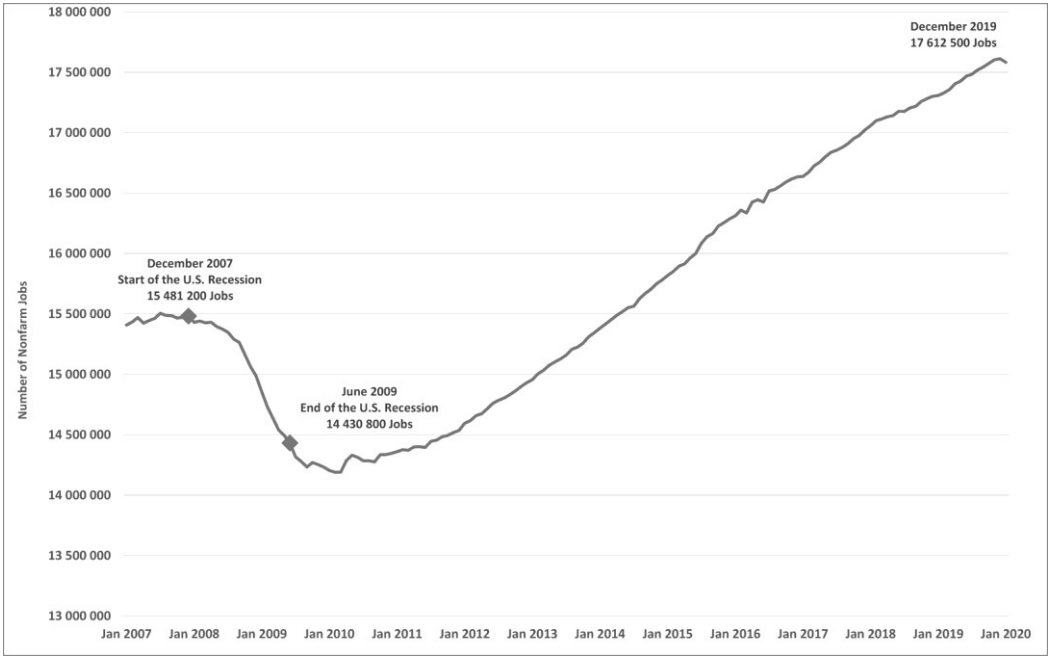
Part I examines the employment data before Covid-19, and how the employment expansion has improved employment across ethnic and racial groups, and improved the earnings of lower wage workers faster than for other workers. At the same time, the employment expansion has not significantly reduced income inequality in the state, which continues its growth since the past fifty years. Further, the expansion has been accompanied by a changing structure of work in California, and the growth of the contingent economy of project-based, part-time and independent contracting work.

Part II examines the public workforce system in the state, focused on assisting unemployed workers to find employment. It provides a brief overview of this system, and three areas of current system initiatives: apprenticeships in non-traditional fields, more intense training and placement efforts for targeted populations, and efforts to improve wages and conditions in lower wage jobs.

## Part I: The Rapidly Evolving California Job Markets

Figure 1 below shows the payroll job growth in California since the Great Recession of 2008/09. From February 2010 through December 2019, the state has gained 3,422,900 payroll jobs, totaling more than 15% of the total United States job gains during that period, which is significantly above California's share in the total population of the United States (12%). The state gained 310,300 nonfarm jobs over the year, from December 2018 to December 2019 (+1.8%).

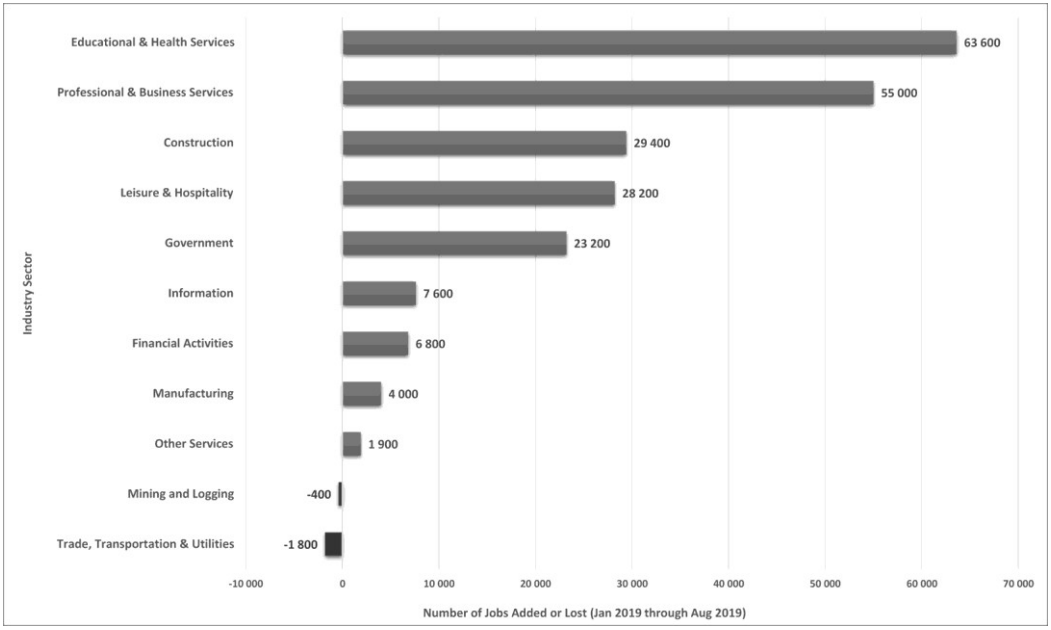
*Figure 1: California Nonfarm Jobs: 2007-2019*




Source: Bureau of Labor Statistics, seasonally adjusted

Figure 2 shows the distribution of job gains for the first 8 months of 2019 by sector. The job growth is not limited to one or two sectors but extends across 9 of the 10 major industry sectors. Educational & Health Services showed the largest job growth at 63,600 jobs, and it has been the main sector of job growth through most of the past decade. Professional & Business Services gained 55,000 jobs and it too has been among the top sector job gainers since 2010. Construction employment was hard hit during the Great Recession of 2008/09, falling from over 900,000 jobs statewide to fewer than 450,000. But since 2010, it has expanded steadily with the other sectors and is at 902,400 in the December 2019 totals.

*Figure 2: California Nonfarm Jobs by Industry Sector. Collective Job Gains and Losses from January 2019 through August 2019*

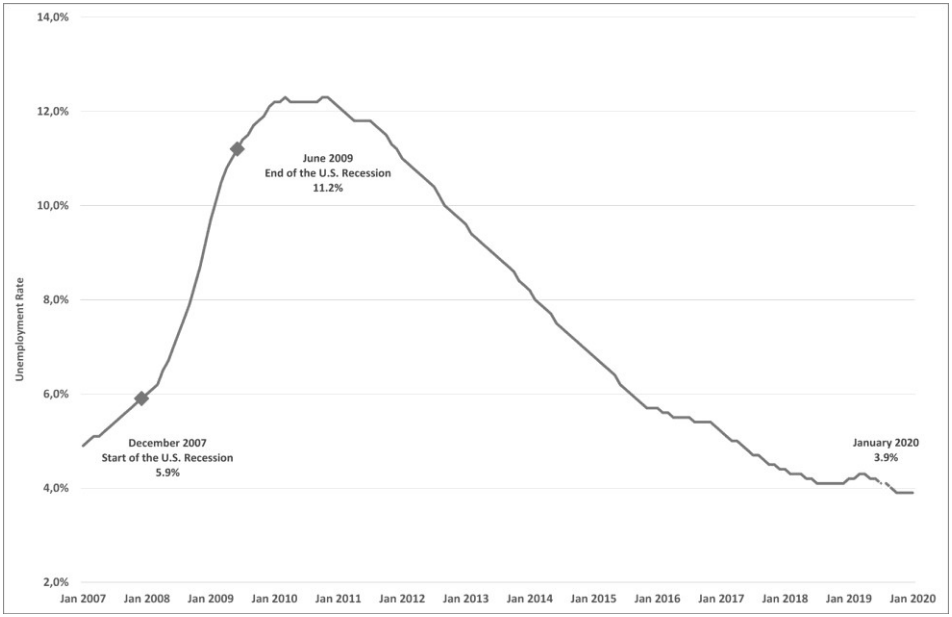



Source: California EDD, seasonally adjusted.

With the steady job gains have come sharp drops in the unemployment rates. Figure 3 shows the California unemployment rates since 2007: the sharp rise from 5.9% in January 2007 to over 12% in 2010, followed the steady drop to 4.1% in August 2019, and further to 3.9% in December 2019.

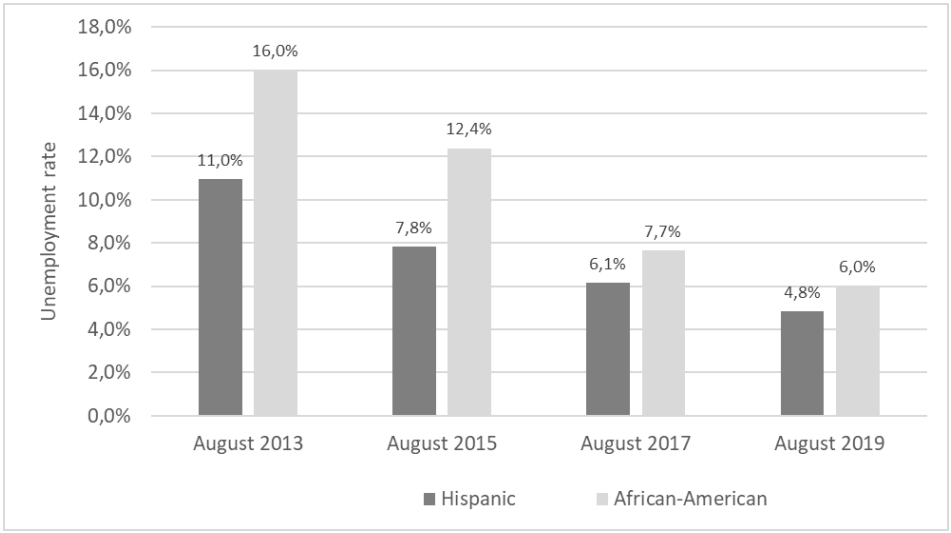
It has been said that the employment expansion has not benefited minorities, and has not benefited low wage workers. Both of these statements are inaccurate. Figure 4 below shows the unemployment rates for African American workers in California, from August 2013 to August 2019, and the sharp decline from 16% to 6.0%. Similarly, Figure 5 shows a similar sharp decline for Hispanic workers in California.

*Figure 3: California Unemployment Rates*




Source: Bureau of Labor Statistics, seasonally adjusted.

*Figure 4: California Unemployment Rates: Hispanic and African American Workers*




Source: U.S. Census Bureau, Current Population Survey of Households, 12-month moving average

The employment expansion has benefited all workers, but wages have gone up faster for lower wage workers than for any other group. As one example: in 2018-2019 wages in the largely lower wage sectors of retail and hospitality rose 5% and 4% respectively, outpacing wage increases in higher wage sectors of business and professional services (2.8%) and finance (2%).

But the recent faster growth in the wages of lower wage workers did not suffice to significantly reduce the income gaps that have been growing since the late 1960s. The U.S. Census Department reported in 2019 that the "Gini" index, the measurement of income disparity across a population, reached its highest level in fifty years, climbing to 48.5 percent. It has been on a steady growth line since the first Gini index of 39.7 in 1967. In Europe, the Gini index tends to be significantly lower than in the USA, with values between 30 and 35 percent in most EU-member states. (World Bank)

Beyond the current employment dynamics—the expansion, and its wage and income impacts-- the California economy, as throughout the nation, is undergoing structural changes. Chief among these is the breakdown of full-time employment and the rise of contingent and project-based work, and forms of independent contracting. A 2016 study by economists Lawrence Katz and Alan Krueger showed alternative work arrangements increasing 30% form 2005-2015, and a U.S. Treasury study showed a similar gain of 34% in alternative work arrangements in the period 2001-2014.

More recent research in 2019 has found alternative work arrangements to be significant, though more modest in growth. A study published in March 2019 by the Internal Revenue Service Joint Statistical Research Program focused on workers who were independent contractors and found that the growth between 2000 and 2016 was around 2%, for a total of 11.8% of the workforce involved in independent contracting work in 2016. (Lim et al 2019) At the same time, the study noted that many more workers supplemented their income with independent contracting work. The study found the greatest growth in independent contracting coming from the on-demand labor platforms—such as Lyft, Uber, Postmates, TaskRabbit and Wonolo.

### Part II: California's Expansive Public Workforce System

Over the past nearly 60 years, following the passage of the Manpower Development Training Act in 1962, an expansive public workforce system has grown in California.

Today, this system, a mix of federal and state funds, amounts to approximately $1.8 billion annually.

The federal Workforce Innovation and Opportunity Act (WIOA) is the main federal funding source, and it provides around $400 million annually in funding to state and local workforce programs. Other major funding programs contributing to the $1.8 billion federal and state workforce spending are Adult Education ($500 million in state funds and $85 million in federal funds), Vocational Rehabilitation ($62 million in state funds and $371 million in federal funds) and Temporary Assistance for Needy Families-TANF (roughly $132 million in employment funds, targeted at CALWORKS (California Work Opportunities and Responsibility to Kids) recipients).

The public workforce system that receives funding includes job training and placement across sectors and occupations. Much of it is focused around the 45 Local Workforce Development Boards (LWDBs), the Boards that administer over 75% of the WIOA funds and are spread throughout the state.

The LWDBs today operate the range of literacy, English-as-a-second language, vocational training and job placement efforts that have long been part of the workforce system. Additionally, they have several new initiatives going into 2020-2021 that reflect the new emphasis on apprenticeships, targeting employment for groups seen as having greater employment barriers, and efforts to improve wages and mobility among California's lower wage workforces. Below are brief summaries:

**Apprenticeships in non-traditional fields**: On the state level, the apprenticeship has found new life in California in the past decade, first under Governor Jerry Brown, and the past year under current Governor Gavin Newsom. Newsom has heightened the apprenticeship role, setting a goal of 500,000 operating apprenticeships in the state by the year 2028. The California Labor and Workforce Development Agency has funded outreach efforts to increase employer knowledge of and participation in apprenticeships. Both the Agency and the California Community Colleges Chancellor's Office have funded individual pre-apprenticeship and apprenticeship projects.

Along with this state-level activity, there is a good deal of activity and initiative on the local level. For some years, the LWDBs in California have operated pre-apprenticeship programs tied to apprenticeship programs in the building trades, with an emphasis on enrolling women and other under-represented groups in trade apprenticeships. More recently, the LWDBs have been reaching out to employers on pre-apprenticeships and

apprenticeship initiatives, aimed at fields, such as information technology and health care, in which apprenticeships traditionally have not played a significant role.

Among the local apprenticeship initiatives are the Aerospace Engineering Apprenticeships in Southern California, the Advanced Manufacturing Apprenticeships in the Inland Empire, and the Information Technology Apprenticeships in the Bay Area. All are regional partnerships of LWDBs in the region, and they reflect both the greater regionalism in the workforce system as well as the expansion of apprenticeships in non-traditional fields.

#### Aerospace Engineering Apprenticeships (Regional Workforce Board partnership in Southern California)

The Aerospace apprenticeships in Southern California, are a partnership of the 7 Local Workforce Boards in the Los Angeles region, along with the local community colleges and K-12 districts (Kindergarten to year 12, i.e. primary and secondary education). These apprenticeships have been spearheaded by the South Bay Workforce Development Board (SBWDB) and build on the long-term workforce connections that SBWDB has developed with the nearby Aerospace industry. South Bay is home to the Los Angeles Air Force Base, as well as a number of the state's main aerospace companies (Northrop Grumann, Lockheed Martin, Boeing, Space X) and their smaller supply-chain manufacturers.

SBWDB formed the South Bay Manufacturing Industry Sector Partnership in 2014. It started with a focus on internships, and has enrolled more than 100 interns with Aerospace firms over the past five years. The Partnership added the Aerospace Engineering Apprenticeship in 2018, a registered apprenticeship with the US Department of Labor, as a means for longer-term training and training more closely tied to ongoing employment. The Apprenticeship is tied to Aerospace engineering positions in manufacturing and research.

The first cohort of 17 Aerospace Engineering apprentices started in 2018. All of these apprentices are still in the 18-month training process. Additional Aerospace-related apprenticeships have been registered by the Partnership. They are at the technician rather than engineer level. They include: Industrial Machine System Technician, CNC Machine Operator, Industrial Engineering Technician, Aerospace Electronics Technician, and Aerospace CNC Machining Technician. These Aerospace technician apprenticeships are tied to a career ladders pathway, utilizing community college training. The pathway includes the opportunity to obtain certifications in engineering for wage and

occupational advancement, as well as paths to obtaining an AA degree in engineering and/or a Bachelor of Engineering.

### Advanced Manufacturing Apprenticeships (Regional Workforce Board partnership in the Inland Empire)

The Advanced Manufacturing Apprenticeships in the Inland Empire are a partnership of the two LWDBs in the region, San Bernardino and Riverside, along with the local community colleges and K-12 districts. For these apprenticeships, the community colleges took the lead in identifying and developing the apprenticeships. The LWDBs played important roles in reaching out to their extensive employer contacts, and in contributing funds for employer outreach and participation.

The first Advanced Manufacturing registered apprenticeship in 2017 was for Industrial Maintenance Technician, and two others were soon added in the industrial maintenance field, for Mechatronics Technician and Industrial Engineering Technician. These apprenticeships are two to four years in length. Among these three apprenticeship categories, by the end of 2019, 10 apprentices had completed and 58 apprentices were still enrolled. In addition to the Industrial Maintenance apprenticeships others have been added in Industrial Production: quality control, machine technician., and engineering technician. By the end of 2019, 48 apprentices were enrolled in Industrial Production apprenticeships.

### Information Technology Apprenticeships (Regional Workforce Board partnership in the Bay-Peninsula region)

In the San Francisco Bay Area, the four LWDBs have formed a regional Bay-Peninsula workforce partnership—San Francisco, NOVA, San Jose Work2Future, and San Benito. After initial false starts with Information Technology and related apprenticeships, the partnership has been able to start a process in 2018 of IT apprenticeships with several Bay Area firms.

Twilio registered a software engineering apprenticeship in 2018, and as of the end of 2019, has 27 apprentices who have completed the apprenticeship, with 9 apprentices currently enrolled. Postmates also has registered a software engineering apprenticeship, with one apprentice completing so far and two others currently enrolled. Beyond these, there are several tech firms that have started or expanded apprenticeships, but not yet registered them. These include LinkedIn, which has climbed to near 40 apprentices in its

software engineering apprenticeship, and Twitter, which is in the process of its first cohort of eight software engineering apprentices.

**More intense training and placement efforts for targeted populations:** With the current employment expansion and overall low unemployment rate, emphasis in the public workforce system has shifted to several groups seen as having greatest barriers to employment: ex-offenders, workers with disabilities, CalWORKS recipients and immigrants.

"Prison to Employment" is a recent initiative aimed at ex-offenders. It draws on a model of intensive placement assistance, along with job supports following placement. It also expands the use of "transitional jobs": immediate job placement in subsidized positions as a means of income gains and work experience, followed by placement in unsubsidized positions.

The "Disability Employment Accelerator" is a recent initiative aimed at workers with disabilities. It similarly draws on a model of intensive job placement assistance and retention supports. Jobs seekers with disabilities are provided with assistance in identifying job openings, submitting applications and following up with applications. After a placement, job coaches, often in onsite capacities, assist in integrating the worker into the new workplace. "Breaking Barriers", another initiative focused on workers with disabilities, aims at working with California companies to change workforce culture, providing greater flexibility and patience to better integrate these workers into jobs.

For immigrants, especially immigrants with more limited language or occupational skills, a range of programs has emerged. Some of these are under Adult Education funds, providing free English language training. Others are under WIOA and emphasize job placement.

**Efforts to improve wages and conditions in lower wage jobs:** Over the past decade, both the California State Legislature and Governor's Office have expressed concern about income and wage inequality in the state, and low wage workforces. Legislative hearings and policy think-tank conferences have been held on the working poor, and on the need to strengthen California's middle class.

At the same time, quietly and with little attention, California's 45 Local Workforce Development Boards (LWDBs), have been implementing and testing approaches to strengthen the economic position, wages and mobility opportunities of California's low wage workers. They have taken a variety of forms, including the following four:

- Projects to help retail and hospitality workers obtain more predictable and structured work schedules.
- Projects to set a self-sufficiency wage that training providers must meet for workforce funds.
- Projects to protect the rights of workers seeking on-demand work, and to assist workers to better navigate online labor platforms.
- Projects to professionalize and impact the wages/mobility in traditionally lower wage jobs, including in Early Childhood Education and Child Care, Long Term Care facilities, and Community Healthcare.

All of these efforts are in initial stages. They indicate, though, how the workforce system is going beyond the issue of skills for workers to at least attempting to impact the structure of jobs.

## Conclusion

In summary, the California economy was in a period of employment expansion between 2010 and 2019, unparalleled since World War II. It was an expansion that went across sectors and occupations, as well as across racial and ethnic groups. The expansion has enabled the public workforce system to undertake initiatives aimed at providing intensive job placement and retention assistance to workers who continue to struggle in the labor market. It also has enabled the public workforce system to try to impact the structure of jobs, not only the skills of workers, and particularly to try to improve wages and conditions in lower wage jobs.

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# The Labor Market Integration of Refugees: What can we learn from the German Experience?

Herbert Brücker, Yuliya Kosyakova and Eric Schuss

## Introduction

In 2015, Germany experienced the largest influx of refugees since the displacements and flight movements at the end of World War II. Overall, the refugee population[1] in Germany rose by 1.2 million since the beginning of 2013, reaching a total of 1.9 million refugees at the end of 2019 (DESTATIS, 2019; DESTATIS, 2020). This is in absolute terms the largest refugee population in the Member States of the European Union (EU) and in the high-income countries of the OECD, albeit some other European countries such as Austria and Sweden report higher shares relative to their host countries' populations.

The vast majority of the recent refugee population in Germany stems from countries such as Syria, Iraq and Afghanistan which are affected by war, civil war and other violent conflicts (UCDP, 2020), political terror (Gibney et al., 2019) and violations of political rights and civil liberties (Freedom House, 2019). Accordingly, the overwhelming share of the refugee population in Germany has received a legal protected status by now: Of the almost 1.8 million persons seeking asylum, about 72 percent had a protected status at the end of 2018, in 17 percent of the cases the protected status was pending, and in 11 percent the protection applications were rejected (DESTATIS, 2019). Even though only just over one-fifth of the persons with recognized protected status have a permanent residence permit in Germany to date (DESTATIS, 2019), it can be assumed that large parts will remain in Germany permanently or at least for a longer period due to the situation in their countries of origin. For example, according to the IAB-BAMF-SOEP survey of refugees, 96 percent of the refugee population are seeking permanent residence in Germany (Brücker/Kosyakova/Schuss, 2020).

[1] The refugee population is defined here as the number of persons who (i) have applied for asylum, but who's cases are not yet decided, (ii) have a protection status according to the Article 16a of the German constitution, as refugees according to the Geneva Refugee Convention, subsidiary protection or are subject to a deportation ban, and (iii) are tolerated and have to leave the country after their applications have been declined. For details see DESTATIS (2019).

Therefore, the integration of refugees into host countries' labor markets, the education system and other areas of the society is of upmost importance. There are many reasons why refugees are disadvantaged in the labor market compared to individuals who have migrated by other means, such as labor migration: They are not as well prepared for migration as a result of war and persecution, the qualifications and abilities they carry are less suited for the requirements of the labor markets in destination countries, host countries' language proficiency is lower and institutional circumstances – such as the legal uncertainty associated with asylum procedures – reduce opportunities for integration (Brücker/Kosyakova/Valizadeh, 2020; Brücker et al., 2019; Dustmann et al., 2017; Fasani/Frattini/Minale, 2018; Kosyakova/ Brenzel, 2020).

In this contribution, we discuss how these challenges are addressed in Germany and provide an overview of the current state of the labor market integration of the recent refugee influx.[2] We show that refugees are a special case and can be distinguished from other types of less-skilled immigrants featuring in this volume: First, although the skill-gap between natives and the refugee population in Germany is considerable, the refugee population is very heterogenous and can therefore not be regarded as less-skilled in toto. Second, refugees are a highly selective sample of their home country populations not only with respect to skills, but also in other dimensions such as values, attitudes and personal traits. This also impacts on their labor market integration. Third, refugees have a different legal status compared to other migrants, which negatively affects prospects for labor market integration. Altogether, any analysis of the labor market integration of refugees has to consider not only the skill structure of the refugee population, but also their specific prerequisites as well as special conditions for labor market integration.

The analysis is largely based on a unique data source, the IAB-BAMF-SOEP-Survey of Refugees, a longitudinal household survey of the German refugee population. A brief sketch of this data source is presented in Section 2. Section 3 addresses the (self-) sorting of the refugee population along different dimensions, such as skill levels, demographic characteristics, personal traits, values and attitudes. Building on that, various aspects of the integration process are analyzed in detail: the asylum procedures (Section 4), German language acquisition (Section 5), the integration into the education system

[2] This chapter builds on previous papers of the authors, in particular Brücker/Kosyakova/Schuss (2020), Brücker et al. (2020) and Brücker et al. (2019).

(Section 6) and, most importantly, the labor market integration (Section 7). Section 8 concludes.

Note that the analysis presented here is based on data which stem from the period before the COVID-19-pandemic unfolded. Employment and unemployment figures or similar data which would allow to assess the specific consequences of the economic shock on the particularly vulnerable refugee population have not become available at the time this paper was written. Nevertheless, concluding section 8 addresses also the potential consequences of the pandemic for the refugee integration process.

### The IAB-BAMF-SOEP-Refugee Survey

The IAB-BAMF-SOEP-Refugees Survey[3] is a longitudinal household study of persons who moved to Germany in search of asylum and protection; it allows to derive representative inferences on the recently arrived refugee population in Germany (for further details see Brücker et al., 2016/2017/2019). The sample was drawn from the Central Register of Foreigners (Ausländerzentralregister - AZR), which covers all foreign nationals from non-EU countries in Germany. The AZR also provides information on the legal status of each individual, such that the refugee population can be identified properly. Using statistical weighting methods, we are able to draw representative inferences on the refugee population arriving in Germany as asylum seekers between 2013 and 2016 and their household members, whose arrival is not restricted to this time span.

As of today, the overall sample comprises 7,950 adults who were interviewed at least once. Of these, 4,465 persons participated in the first survey wave in 2016, of whom 1,761 persons could be interviewed again in both 2017 and 2018, and 2,064 persons could be observed over two survey waves. The sample analyzed in this contribution at hand considers refugees of working age (18 to 64 years) who arrived since 2013. This results in a total of 4,265 individual observations for the survey year 2018.

The personal-biographical questionnaire, which was filled out by all participants of the survey, covers about 450 questions ranging from the migration-, education- and employment biography, the situation in home- and transit countries, the flight process,

[3] The survey and study are the result of a project-cooperation between IAB (Institute for Labor Market and Occupational Research), the research center of the German Employment Agency, the BAMF (Federal Office for Migration and Refugees) and the DIW (the German Institute for Economic Research) where the SOEP (socio-economic panel) has been established.

human capital characteristics, health status, personal traits, values and attitudes, family aspects, networks and all aspects of the integration process in Germany with a special focus on labor market integration. The household questionnaire, which covers about 100 questions, refers to all aspects relevant to the household situation such as welfare benefits, housing, access to infrastructure and environmental issues such as criminality. Finally, an interviewer questionnaire provides information on the context of the interview.

The survey instruments have been translated into the native tongue of all main refugee groups, and interpreters were available if needed. Moreover, auditive instruments were employed to survey illiterates. The survey has been conducted face-to-face by Kantar Public, a company specialized on household and individual surveys for scientific purposes.

## Self-sorting of the refugee population

*Skill-selection and education levels*

Refugees are a highly selective sample of the home country population. Traditional self-selection theories predict that the self-selection of migrants is driven by the relative returns to migrants' skills and other abilities in sending and receiving countries and by the costs of migration. Application of these traditional theories to forced migrants is less straightforward. Sometimes it is speculated that persecution may lead to reverse selection (Borjas, 1987) or that forced migration mitigates the selection bias (Chiswick, 1999). The recent theories of refugee selection predict however that sending country risks tend to improve the skill-selection of forced migrants, while migration risks tend to have a detrimental impact (Aksoy & Poutvaara, 2019). Armed conflicts, persecution and other forms of human rights violations in sending countries do not only create risks for life, physical and mental well-being which may affect all social and economic groups in sending countries uniformly. They also involve economic risks, e.g., in terms of earnings or wealth, which reduce expected utility from staying for those with higher education and other abilities disproportionally. This, in turn, may affect the skill and talent distribution of refugees positively. Refugee migration risks also create general threats affecting all social groups uniformly. At the same time, by reducing expected income at destination and thereby migration incentives for individuals with higher skills and talent, refugee migration risks may have an adverse impact on the skill selection of refugees.

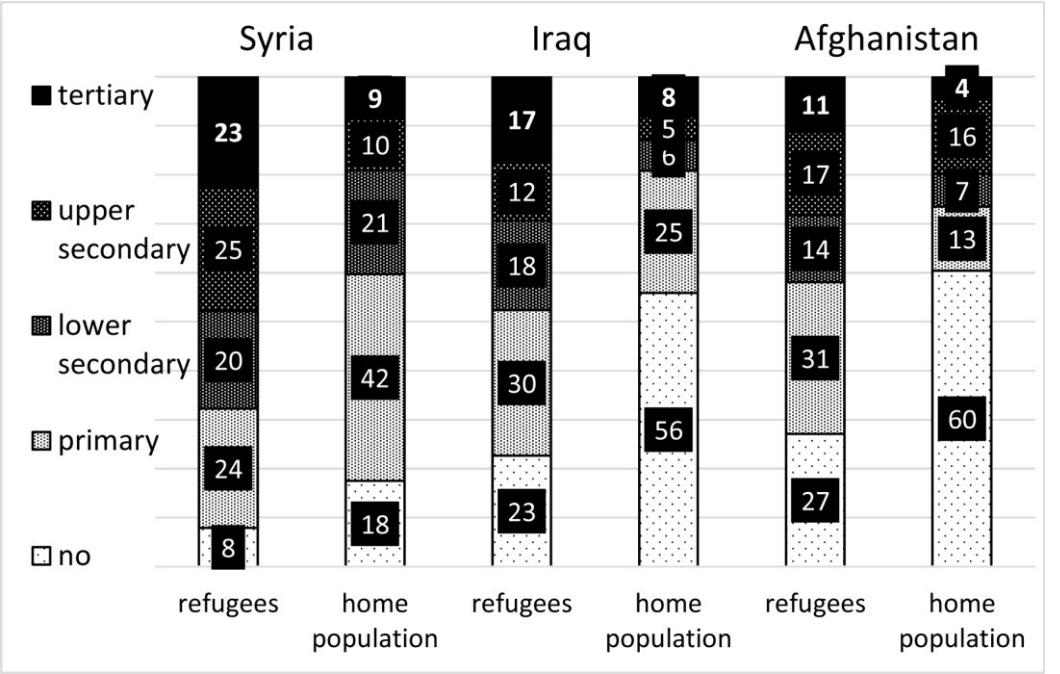
Thus, sending country risks affect the skill- or ability selection positively, while the converse is true for refugee migration risks (Aksoy & Poutvaara, 2019).

It is important to note that this result is derived from the assumption that country and migration risks affect the well-being of individuals not only in general terms, but also relative to the expected earnings potential in sending and destination countries. In contrast, models which suppose that the sending country risk creates a disamenity for all individuals in the same way, ignoring the effects on earnings and other economic risks, tend to conclude that refugees are less selected on characteristics associated with labor market success (Chin & Cortes, 2015).

Given the ambiguity of theoretical predictions, it is useful to have a look at the available evidence in some detail. Figure 1 displays for the three main origin countries of the refugee population in Germany – Syria, Iraq and Afghanistan – the education levels of the refugee population and the home country population by the International Standard Classification of Education (ISCED) which are taken from Brücker/Jaschke/ Kosyakova (2019) (see also Guichard, 2020, Aksoy & Poutvaara, 2019). At the upper end of the skill spectrum, individuals with tertiary or upper-secondary education represent 48 percent of the Syrian refugees in Germany compared to 19 percent of the home country population in Syria (a factor of 2.5), 29 percent of the Iraqi refugees compared to 13 percent in the home country population (a factor of 2.2), and 22 percent of the Afghan refugees compared to 20 percent of the home country population (a factor of 1.4). Analogously, at the lower end of the educational spectrum, 32 percent of the Syrian refugees in Germany have primary or no schooling compared to 60 percent in the Syrian population, 53 percent of the Iraqi refugees compared to 81 percent in the home population, and 58 percent of the Afghan refugees compared to 73 percent in the home population (Brücker/Jaschke/Kosyakova, 2019).

The self-selection with respect to income follows a similar pattern – the refugee population is disproportionally drawn from the medium- und upper tails of the income distribution according to self-reported assessments of the economic status in the home countries (Brücker/Jaschke/Kosyakova, 2019).

*Figure 1: Skill-selection of refugees from Syria, Iraq and Afghanistan in Germany*
*Education levels (ISCED) of the refugee and home country population, shares in percent (age 18+).*




Source: Brücker/Jaschke/Kosyakova (2019) based on the IAB-BAMF-SOEP Survey of Refugees 2017, weighted.

Although refugees are favorably self-selected regarding their education levels compared to their countries of origin, there is a substantial skill-gap relative to the German-born population on average: As Table 1 indicates, schooling levels are heavily polarized among the refugee population, with large shares possessing upper-secondary or polytechnical education, or conversely, having only primary or no education at all (Brücker/Kosyakova/Schuss, 2020). At the upper end of the skill spectrum, 44 percent have attended (and 37 percent completed an education from) upper-secondary or polytechnical schools,[4] compared to 38 percent with completed degrees in the total German-born population. In turn, another 31 percent has attended (and 21 percent completed an education from) secondary schools, compared to 59 percent with

[4] On average, such a schooling degree requires 12 years of schooling.

completed secondary degrees of the German-born population. Crucially, a much larger share of the refugee population has limited or no education, compared to the German population. While only one-tenth of the adult population in Germany has not completed secondary education (DESTATIS, 2018), 42 percent of the refugee population left school without a secondary school diploma or only a primary schooling degree, and 11 percent possess no school education at all. Many refugees have interrupted their educational biographies, as illustrated by the difference between attendance and completion rates; this is often linked to the outbreak and duration of armed conflicts. Origin countries with a long history of war and civil war such as Afghanistan and Iraq display particularly low schooling levels and completion rates, while countries with a relatively recent history of war and armed conflicts such as Syria perform relatively favorably (Brücker et al., 2016/2017). We can, thus, conclude that the refugee population in Germany achieves participation and completion rates at the upper tail of the skill-spectrum (upper-secondary schools) which match levels in Germany. However, much higher shares of individuals compared to the German-born population have only primary or no schooling at all.

The gap between the German and the refugee population is even larger in the area of vocational training and post-secondary education. Only 7 percent of the refugee population have attended (and 6 percent completed) vocational training, while 18 percent have attended (and 11 percent completed) university or college. This compares to 58 percent of the German adult population with vocational training degrees and a further 24 percent with a university or college education (Table 1).

The low levels of individuals with tertiary and especially vocational training degrees are a substantial hurdle for the labor market integration of refugees. This is particularly true for the German labor market, where professional degrees and certificates represent the backbone of labor market skills, quite in contrast to Anglo-Saxon countries, in part because of the dominance of its dual vocational training system (e.g., Allmendinger, 1989). The refugee population in Germany seems to be aware of this fact: about 45 percent have reported in the survey that they plan to acquire a (further) school degree in Germany, while 68 percent reported that they are considering participating in vocational training or attending a university in Germany (Brücker et al., 2019, Brücker/Jaschke/Kosyakova, 2019).

*Table 1: School attendance and degrees of the refugee population upon arrival compared to the German-born population*

| | **Refugee population** | | | | | | **German-born population** | | |
|---|---|---|---|---|---|---|---|---|---|
| | **attendance** | | | **degree** | | | **degree** | | |
| | **total** | **men** | **women** | **total** | **men** | **women** | **total** | **men** | **women** |
| no school | 11 | 10 | 15 | - | - | - | - | - | - |
| primary school | 14 | 13 | 16 | - | - | - | - | - | - |
| secondary school | 31 | 33 | 28 | 21 | 22 | 19 | 59 | 58 | 58 |
| upper secondary school | 40 | 41 | 38 | 34 | 34 | 34 | 37 | 37 | 38 |
| polytechnical school | 4 | 4 | 4 | 3 | 3 | 3 | 1 | 2 | 1 |
| **observations[1]** | 3,870 | 2,345 | 1,525 | 3,594 | 2,225 | 1,369 | 15,759 | 7,146 | 8,613 |
| vocational training | 7 | 7 | 6 | 5 | 5 | 4 | 58 | 57 | 58 |
| college/university | 18 | 19 | 15 | 11 | 11 | 11 | 23 | 24 | 23 |
| **observations[2]** | 4,111 | 2,504 | 1,607 | 4,083 | 2,493 | 1,590 | 16,351 | 7,440 | 8,911 |

*Notes*: 1) The share of missings amounts to 5 percent for school attendance and 13 percent for schooling degrees in the refugee population and 6 percent in the German-born population. --2) The share of missings amounts to 1 percent for both attendance and degrees among the refugee- and the German-born populations.

Source: Brücker/Kosyakova/Schuss (2020) based on the IAB-BAMF-SOEP Refugee Survey 2018 (weighted); German-born population: Socio-Economic Panel (SOEP) 2017, weighted.

*Selection on demographic characteristics*

The characteristics of the refugee population in Germany attest to the risks and difficulties of the flight process. First, refugees are disproportionally young: 77 percent of adult males and 62 percent of adult females were 35 years or younger in 2017 (compared to 26 and 24 percent of the German population respectively). This group of migrants is also younger than other migrant arrivals (62 percent of male arrivals were 35

years or younger in 2018).[5] Second, the refugee population is mainly male: 73 percent of the adult refugees are male, 27 percent female (compared to 57 % males and 43 % females among total adult migrant arrivals in 2018) (Brücker/ Kosyakova/ Vallizadeh 2020).

The specific gender- and age selection of refugees corresponds to substantial differences in the family and household structures: More than half of male refugees in an age of 18 years and older were single, compared to only 24 percent of the females. 67 percent of the adult females, but only 21 percent of the males live in households with children. 17 percent of the adult women, but only 2 percent of the men, are single-parents. These differences in the family structures by gender are shaping the integration process of males and females: females with children, particularly with toddlers, have fewer opportunities to take part in integration measures such as language programs, participate less in education and, eventually, have substantially lower employment rates compared to their male counterparts (Brücker et al. 2019, 2020; Brücker/Kosyakova/Vallizadeh 2020.

*Selection on personal traits*

The experience of war and persecution as well as the costs and risks of flight are likely to select personality traits in ways that could be relevant for social and economic integration. On the one hand, the psychological well-being of refugees is likely to be destabilized by personal experiences of war, violence, and persecution. On the other hand, the high risks and costs of refugee migration may positively select people who are endowed with resilience and other personal characteristics (Dustmann et al., 2017). In order to shed some light on the personality traits of refugees, the IAB-BAMF-SOEP-Survey of Refugees has examined some well-established socio-psychological concepts (see also Brenzel et al., 2019; Brücker/Kosyakova/Jaschke, 2019, for further details).

The most striking features are: First, we find lower preferences to take risks among the refugee population compared to the native population and other migrant groups in Germany (Brenzel et al., 2019; Brücker/Jaschke/Kosyakova, 2019). Given the extraordinary risks of the refugee migration process, this finding seems puzzling in the first

[5] The figures for the refugee population have been taken from the IAB-BAMF-SOEP Refugee Survey (weighted values), the figures for the German population average from microcensus data (DESTATIS, 2018) and on the other migrant arrivals from the Central Register of Foreigners (DESTATIS, 2019).

instance. A possible explanation might be that the exposure to essential risks like war, persecution and ship-wrecking might reduce inclinations to take risks in the future.

Second, the refugee population is significantly more self-confident than both the native population without a migration background and other migrants in Germany. This is a remarkable result given that large parts of the refugee population have been without a job, which reduces usually the level of self-confidence substantially (Goldsmith/Veum/ William, 1996).

Third, the refugee population displays relative to the German population without and with migration background, high values for positive reciprocity (i.e., returning favors), and low values for negative reciprocity (i.e., retaliating).[6] This indicates that the refugee population has a strong social orientation which may facilitate social and labor market integration in host countries.

Fourth, compared to the German population without and with migration background, refugees achieve in the "Big Five" concept of personality traits (Barrick & Mount, 1991) higher values for openness, extroversion, agreeableness, and conscientiousness, but lower values of neuroticism (Brenzel et al., 2019, Brücker/Jaschke/ Kosyakova, 2019).

Previous research has found that high levels of self-confidence, openness, extroversion, agreeableness, conscientiousness, and positive reciprocity are positively correlated with economic success in the labor market (Bowles/Gintis/Osborne, 2001; Brenzel/ Laible, 2016; Nyhus & Pons, 2005). Drawing on this existing research, the results from the IAB-BAMF-SOEP Survey of Refugees suggest that the personal traits of the refugee population might be, with the notable exception of the rather low preference for risk-taking, favorable with respect to their chances for social and economic integration.

### The length of asylum procedures

A key feature which distinguishes the prospects for labor market integration of refugees relative to other migrants is their legal status. The circumstances under which asylum seekers can work during the asylum procedure are complex (see Kosyakova & Brenzel, 2020). There is a general employment ban for the first three months after registration. This ban is prolonged for the time asylum seekers stay in initial reception centers. In principle, they are obliged to stay in the initial reception centers until their

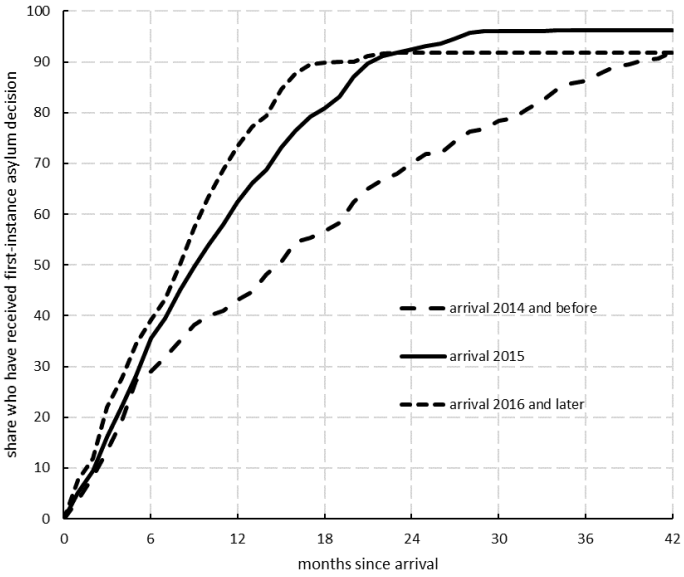
[6] The concept of positive reciprocity refers to exchange of favors, while the concept of negative reciprocity refers to the revenge for injustice, for instance.

applications have been decided, but many asylum seekers manage to leave the reception centers beforehand. After the decision, full access to the labor market is granted to asylum seekers whose applications have been approved. Those whose applications are rejected, have limited access. Moreover, uncertainty on the legal status remains relatively high even for those asylum seekers who received a protected status since the overwhelming share receives only a temporary residence permit which can be withdrawn when conditions in origin countries have improved. Given that employment can be regarded as an investment decision by employees (Dixit & Pindyck, 1991), the considerable amount of uncertainty surrounding the legal status of asylum seekers can substantially reduce employment probabilities of the refugee population. Not surprisingly, there is ample empirical evidence that the outcome and the length of asylum procedures affect the employment rates of the refugee population in the short-term (Kosyakova & Brenzel, 2020), as well as evidence that the length of asylum procedures has long-lasting consequences on the labor market performance of the refugee population (Hainmüller/Hangartner/Lawrence, 2016).

As Figure 2 illustrates, the length of the asylum procedures has substantially declined over time in Germany: Twelve months after the application, 43 percent of refugees who arrived in 2014 or earlier received their first-instance decision by the authority in charge, the Federal Office for Migration and Refugees (BAMF). This figure increases to 62 percent for refugees arriving in 2015 and to 73 percent for refugees arriving 2016 or later. Similarly, the cumulative decision rate was substantially higher for the later arrivals compared to the refugee population that arrived in 2014 (Brücker/ Kosyakova/Schuss, 2020).

On average, refugees with a positive decision had much shorter waiting times than asylum seekers with a negative decision: while approved refugees waited approximately six months for a decision of their asylum claim, it took nearly twice as long (11 months) for those who received a negative decision (Kosyakova & Brenzel, 2020). Likewise, 12 months after their application, roughly 50 percent of asylum cases were approved while only 8 percent were rejected (Kosyakova & Brücker, 2020).

*Figure 2 Cumulative decision rates of first-instance asylum decisions by arrival cohorts (in percent)*




*Note:* Inverted Kaplan-Meier (1958)-estimate based on the IAB-BAMF-SOEP-Refugee Survey 2018 (weighted).

Source: Brücker/Kosyakova/Schuss (2020).

### Language acquisition

Language proficiency is a key competence for integration in all areas of society and of particular relevance for labor market integration (e.g., Chiswick & Miller, 2002; Dustmann & van Soest, 2002). The German government, but also the refugees themselves, invested heavily in the acquisition of the German language. Since 2005, Germany has a language and integration program for migrants, the so-called *integration courses*. These courses comprise a 600 hours language program and a 100 hours orientation program; the latter provides basic knowledge about German politics, history, values and the legal framework. The target-level of the integration courses is B1 of the *Common European Framework of Reference for Languages (CEF)*, i.e., a language proficiency level which enables one to manage the demands of daily life. Beyond that, more advanced language programs provide language skills relevant in professional contexts. Germany

opened the integration courses for asylum applicants in 2015, but access was only granted to citizens from origin countries with high approval rates in the asylum procedure (e.g., Syria, Iraq, Eritrea). Other asylum seekers were entitled to attend these programs after their asylum applications had been approved (see Kosyakova & Brenzel, 2020).

Although the coverage of the language programs is far from complete and most refugees started the language programs only after receiving the decision on their asylum application (see Kosyakova & Brenzel, 2020), the language acquisition of the refugee population has increased considerably over time. Three years after moving to Germany, 70 percent of the refugees had participated in the Federal Government's most important language program, the BAMF integration courses, and 55 percent had completed it (de Paiva Lareiro/Rother/Siegert, 2020). In the second half of 2018, 86 percent of the refugees had participated in some language programs and 67 percent had completed these courses (Brücker/Kosyakova/Schuss, 2020).

Correspondingly, the level of German language skills has risen continuously: At the time of immigration, 1 percent of the refugees had good or very good knowledge of the German language. In the second half of 2016, 19 percent of the refugees stated that they had good or very good German language skills, in the second half of 2017 this figure had risen to 33 percent and in the second half of 2018 to 45 percent. A further 34 percent of the refugees rated their German language skills at an intermediate level in the second half of 2018 (Brücker/Kosyakova/Schuss, 2020; de Paiva Lareiro/ Rother/ Siegert, 2020).

In the first few years after moving to Germany, the language course participation differed significantly between men and women. Recent evidence suggests, however, that the gap closes gradually: Overall, 89 percent of male refugees and 78 percent of female refugees participated in a language program; 75 percent of the men but only 51 percent of the women had completed it. However, 28 percent of the female refugees and only 20 percent of the male refugees were in language and integration programs in the second half of 2018. In terms of the level of language skills, considerable gender differences remained until the second half of 2018: While 50 percent of the male refugees had good or very good German language skills, this was only the case for 34 percent of the women (Brücker/Kosyakova/Schuss, 2020; de Paiva Lareiro/Rother/ Siegert, 2020).

### Participation in education

Given the skill gap between the German-born and the refugee population (particularly relative to the differences in vocational training and other professional degrees), refugees' successful labor market integration and the transfer of the human capital acquired in the origin and transit countries will also depend on the acquisition of further educational qualifications. The refugee population seems to be aware of the fact that professional degrees are crucial for labor market integration in Germany and they voice high levels of educational aspirations: Overall, 77 percent of the refugees in Germany wanted to attend an educational institution in 2018 (men: 80 percent, women 67 percent). (Brücker/Kosyakova/Schuss, 2020)

*Table 2: Participation of the refugee population in education, 2018*
*Shares of the 18- to 64-aged refugee population in percent*

| | all | | | with educational aspirations | | |
|---|---|---|---|---|---|---|
| | **Total** | **men** | **women** | **Total** | **men** | **women** |
| **participation in education since arrival** | 23 | 26 | 15 | 27 | 30 | 17 |
| general schooling, etc. | 8 | 8 | 8 | 9 | 9 | 8 |
| vocational training | 14 | 17 | 6 | 17 | 19 | 9 |
| college- and university studies | 2 | 3 | 1 | 3 | 4 | 1 |
| **participation at survey date** | 15 | 17 | 12 | 17 | 18 | 12 |
| general schooling etc. | 4 | 3 | 6 | 3 | 3 | 5 |
| vocational training | 9 | 11 | 5 | 11 | 12 | 6 |
| college and university studies | 2 | 2 | 1 | 3 | 3 | 1 |
| **Observations** | 4,200 | 2,550 | 1,650 | 2,554 | 1,668 | 886 |

Source: Brücker/Kosyakova/Schuss (2020) based on the IAB-BAMF-SOEP Refugee Survey (weighted).

While participation in education and training was still low in the first few years after arrival in Germany, a gradual increase in educational participation is becoming apparent: By the second half of 2018, a total of 23 percent of the adult refugees had attended a general school, vocational training institution, college or university or participated in a continuing vocational training measure that leads to vocational qualifications; 15 percent were attending a vocational or general training institution at the time of the survey (Brücker/Kosyakova/Schuss, 2020). This means that the share of training

participants increased by 5 percentage points over the previous year (Brücker et al., 2019). The majority of the participants in education had commenced vocational training (9 percent) at the time of the survey, while 2 percent were studying at a university or college (Table 2).

At the same time, the educational participation of male refugees is significantly higher than that of females: For example, 26 percent of the male refugees had attended an educational institution between the time they moved to Germany and the time of the survey in the second half of 2018, but only 15 percent of the female refugees. At the time of the survey, 17 percent of male refugees and 12 percent of female refugees were in education and training.

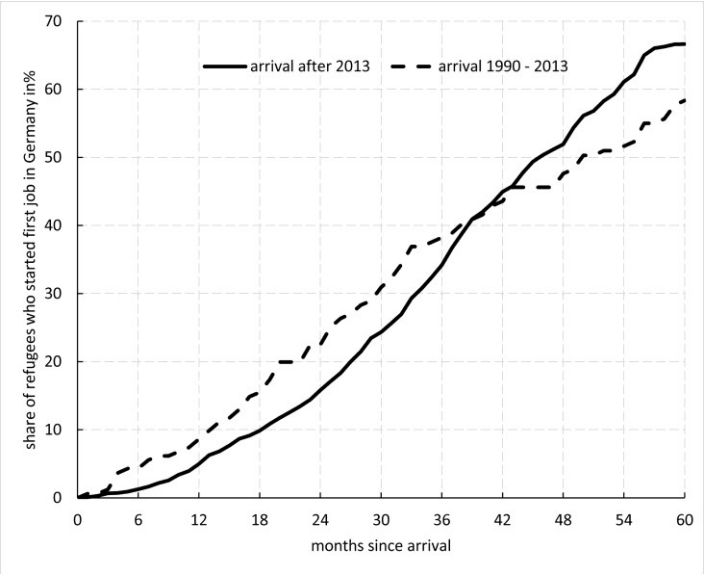
There may be various reasons for the fairly low proportion of refugees pursuing further education in Germany at the time of the survey: Inadequate language skills and educational requirements, barriers to admission, financial pressure to take up employment quickly, and the like. However, the proportion rises as the length of stay increases, i.e., the participation in schooling and professional training increases over time; the potential for further educational attainment is far from being exhausted, however (Brücker/Kosyakova/Schuss, 2020).

## Labor market integration

*The state of integration into employment*

The labor market integration of refugees who have arrived in Germany after 2013 is somewhat faster than that of cohorts which arrived between 1990 and 2013. As depicted in Figure 3, the more recent refugee cohorts have surpassed the threshold at which half of them have taken up a first job 46 months after their arrival. Refugee cohorts which arrived in Germany in the early 1990s until 2013 required 50 months after their arrival to reach this threshold. While in the first three years the labor market integration of the cohorts that arrived after 2013 was somewhat slower than for the earlier cohorts, it developed faster thereafter and the gap between the two groups widened as the length of stay increased. A possible reason for this phenomenon is the participation in integration- and labor market programs of the later arrivals, which may have resulted in lock-in effects in the first three years but may have improved employment opportunities and the sustainability of employment thereafter (Kosyakova & Brenzel, 2020).

*Figure 3 Take-up of first job of refugee cohorts arriving after 2013 and of cohorts arriving between 1990 and 2013 by months after arrival*
*Share of refugees who have entered first employment in percent of 18-64 years-old refugee population*



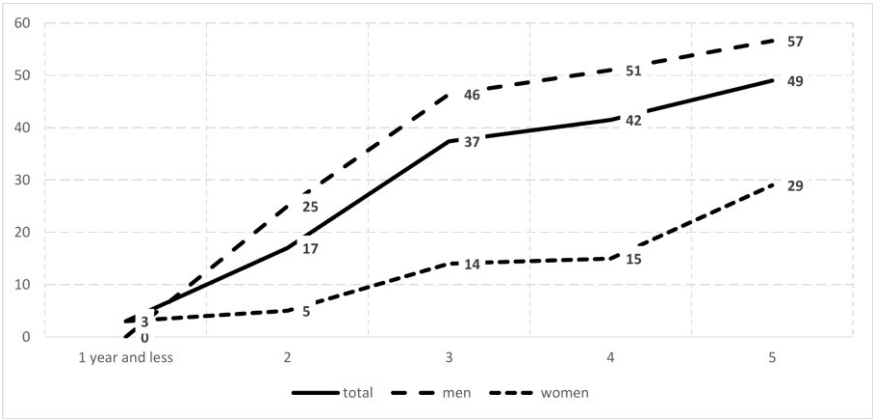

*Notes*: The graph displays the results from an (inverted) Kaplan-Meier (1958) estimate.

Source: Brücker/Kosyakova/Schuss (2020) based on the IAB-BAMF-SOEP Refugee Survey 2018 (weighted).

At first glance, it seems surprising that the more recent arrivals of refugees integrated into the labor market somewhat faster than, for example, refugees who came to Germany as a result of the Balkan wars in the early 1990s. The preconditions for rapid labor market integration such as education levels, German language proficiency and personal networks with residing communities of the same source countries in Germany were better for the earlier refugee cohorts than for the more recent arrivals of refugees (Brücker/Hauptmann/Vallizadeh, 2015). One possible explanation is that labor market conditions were better between 2013 and 2019 than in the 1990s and early 2000s: unemployment rates were much lower and employment growth was substantially higher in recent years before the COVID-19 pandemic unfolded. In addition, since 2015, considerably more has been invested in language and other integration programs for asylum seekers and recognized refugees than before 2015 (Brücker/Kosyakova/Schuss, 2020).

The employment rates of the recently arrived refugees have also risen significantly with the duration of stay: On average, 35 percent of the refugees who arrived in Germany between the beginning of 2013 and the end of 2016 were employed in the second half of 2018. The average length of stay in the sample at this time was around three years. Five years after the arrival in Germany, 49 percent of refugees had been employed (Figure 4; Brücker/Kosyakova/Schuss, 2020).

*Figure 4 Employment rates by gender and years after arrival*
*Employed refugees in percent of 18- to 64-year old refugee population*




Source: Brücker/Kosyakova/Schuss (2020) based on IAB-BAMF-SOEP-Refugee Survey 2018 (weighted).

The results of the survey are largely consistent with the official employment statistics published by the Federal Employment Agency: According to these data, 35 percent of the population from the eight most important origin countries of asylum seekers who have moved to Germany since the end of 2014 were employed in October 2018 and 42 percent in October 2019.[7]

Among the employed refugees, 68 percent were in full-time or part-time employment in the second half of 2018 (including self-employed persons, but excluding training and

[7] About 70 percent of the population from these countries have arrived as asylum seekers in Germany. Since the employment statistics do not provide information on the date of arrival, the employment rate of the recent arrivals has been calculated as the ratio of employment growth to the working-age population growth from 1 January 2015 to 31 October 2019. This is a good approximation of the employment rates of the recent arrivals if there is not much movement in the employment figures for the pre-2015 arrivals. For the method see Brücker (2018).

internships), 17 percent were in paid training and 3 percent in paid internships; 12 percent were in marginal employment.

There is a considerable gap in employment between male and female refugees, although this gap decreases somewhat as the length of stay increases (Figure 4). For example, two years after arrival, 25 percent of men but only 5 percent of women were employed, and five years after arrival, 57 percent of men and 29 percent of women were employed. This disparity is very strongly correlated with the family and child constellation and the care situation for (young) children: Especially women with toddlers exhibit only very small employment shares (Brücker et al., 2019).

*Transfer of human capital and work experience*

Although only a comparatively small proportion of refugees has completed vocational training or university studies, many were able to acquire professional qualifications and skills through work experience before moving to Germany. Overall, around two thirds of refugees of working age were employed before moving to Germany (75 percent of men and 39 percent of women). According to the self-reported information on their occupational activities, 16 percent of the refugee labor force that has been employed before arrival performed assistant or unskilled tasks, 65 percent skilled, 6 percent specialist, and 16 percent expert tasks (Table 3, Brücker/Kosyakova/Schuss, 2020).[8] This task structure of employment differs only slightly from the corresponding structure of the German work force. Given that technologies, production and organizational processes used in the countries of origin may differ from those in Germany, the skill content of employment might not be fully comparable.

Still, the data implies that a considerable proportion of refugees were able to transfer their human capital acquired abroad to the German labor market: 44 percent of the employed refugees performed assistant or unskilled tasks, 52 percent worked as specialists, 2 percent as complex specialists and 3 percent as experts (Table 3). Given that only one-fifth of the refugee population possessed vocational training, college or university degrees, this is a remarkably high share of workers performing skill-intensive tasks in the German labor market.

[8] This four-category task breakdown is based on the classification of occupations by the IAB and the Federal Employment Agency (BA) in Germany (BA Statistik 2018).

*Table 3: Skill content of tasks of refugee work force before and after arrival and of the German work force by gender*
*Share of task group in all employed persons in percent*

| | before arrival | | | after arrival | | | German nationals | | |
|---|---|---|---|---|---|---|---|---|---|
| **skill content of tasks** | **All** | **men** | **women** | **All** | **men** | **women** | **Total** | **men** | **women** |
| assistant/unskilled tasks | 16 | 17 | 9 | 44 | 44 | 45 | 13 | 12 | 14 |
| skilled tasks | 65 | 66 | 60 | 52 | 53 | 45 | 60 | 57 | 63 |
| complex specialist tasks | 6 | 6 | 6 | 2 | 2 | 2 | 14 | 16 | 11 |
| highly complex expert tasks | 14 | 11 | 26 | 3 | 2 | 8 | 14 | 16 | 11 |
| **Observations** | 2,423 | 1,914 | 509 | 1,113 | 953 | 160 | 29,313,642 | 15,366,308 | 13,947,334 |

*Notes:* Cells with less than 10 observations provide only limited information and are marked in italics.- 1) The skill content of tasks before and after arrival has been calculated based in the Occupational Classification of IAB (KlDB) and the Federal Employment Agency of the year 2010 (Bundesagentur für Arbeit – Statistik, 2018).

Source: Brücker/Kosyakova/Schuss, 2020; IAB-BAMF-SOEP-Refugee Survey (weighted). German nationals: employment statistics of the BA from 2018-31-12.

Measured in terms of formal qualifications – i.e., those acquired through education and vocational training – 40 percent of the refugee workforce were employed in jobs where the skill content of the tasks matched their education level (Table 4). In 28 percent of the cases, the formal qualification level of refugee workers was below the skill content of the tasks they performed, while in 32 percent of the cases the qualification level exceeded the skill content of the tasks of the jobs.

By contrast, a comparison of the skill content of the tasks performed before and after immigration reveals a different picture: Nearly half of the employed refugees in Germany performed tasks with skill requirements which were below those of the tasks they had performed in their countries of origin or transit, in 43 percent of the cases they performed tasks with a similar skill content before and after migration, and in 10 percent of the cases the skill content of the tasks they performed in Germany exceeded those of

their previous jobs in origin or transit countries (Table 4). Thus, if we take the skills and abilities into account which the refugee population has acquired through work experience, we observe a considerable skill-downgrading (Brücker/Kosyakova/ Schuss, 2020). This is not surprising, since migration is often associated with an initial devaluation of the human capital acquired in the home countries. This can only be amended gradually, with the acquisition of complementary skills in the destination countries (e.g., Chiswick et al., 2005).

*Table 4: (Mis-)Match between formal education levels as well as tasks performed before arrival and tasks performed in the German labor market since arrival*
*Shares of employed persons in percent*

| **Skill content of tasks performed in current employment is** | **Total** | **men** | **women** |
|---|---|---|---|
| below level of professional degrees | 28 | 27 | 35 |
| equal to level of professional degrees | 40 | 40 | 36 |
| above level of professional degrees | 32 | 33 | 29 |
| **Observations** | 1.047 | 898 | 149 |
| **Skill content of tasks performed in current employment is** | **Total** | **men** | **women** |
| below skill content of tasks performed before arrival | 47 | 46 | 57 |
| equal to skill content of tasks performed before arrival | 43 | 44 | 32 |
| above skill content of tasks performed before arrival | 10 | 10 | *10* |
| **Observations** | 765 | 699 | 66 |

*Notes:* Cells with less than 10 observations provide only limited information and are therefore marked in italics.-- The qualification levels have been classified according to the International Standard Classification of Education (ISCED) of the OECD (2011 version). The task requirements of the current and previous employment have been classified based on the Classification of Occupations (KldB) of IAB and the Federal Employment Agency (Bundesagentur für Arbeit) (version: 2010). The information on task requirements before and after arrival are based on information on the occupations performed in the IAB-BAMF-SOEP-Refugee Survey.

Source: Brücker/Kosyakova/Schuss (2020); IAB-BAMF-SOEP-Refugee Survey 2018 (weighted).

*Evolution of the wage gap*

The earnings of refugees are on average very low when they enter the labor market, but they increase over time: The average gross monthly earnings of the full-time employed refugees have increased from an initial 1,678 euros in 2016 to 1,863 euros in 2018 (Brücker/Kosyakova/Schuss, 2020). A similar picture emerges when we analyze

earnings over a longer time since after arrival (Kosyakova, 2020). Taken all employed refugees together – i.e., including part-time employees, trainees, apprentices, interns and those in marginal employment –, average gross monthly earnings rose from 810 euros to 1,282 euros between 2013 and 2018. The significantly stronger wage growth of the total of employed refugees is also due to the fact that the share of part-time employees, marginally employed and trainees has decreased over time (Kosyakova, 2020).

The average gross monthly earnings of full-time employees among the refugee workforce amount to 55 percent of the level of average gross monthly earnings of full-time employees born in Germany (Brücker/Kosyakova/Schuss, 2020). This picture is somewhat biased, however, as earnings in Germany increase with the seniority and employees' work experience. As a result, average gross monthly earnings of full-time employees among the refugee population aged 18 to 25 amounts to 74 percent of average earnings of German-born employees in the same age group. A similar picture emerges relative to work experience: Refugees with a work experience of two years or less achieve 79 percent of the average earnings of persons born in Germany with the same level of work experience. Refugees in unskilled and semi-skilled occupations achieve 89 percent of the average earnings of persons born in Germany in the same occupational groups, in skilled occupations 69 percent, and in expert and specialist occupations 75 percent.

*The determinants of employment*

Using linear regression models, Table 5 examines the influence of various factors on the employment probabilities and gross monthly earnings of refugees in Germany (Brücker/Kosyakova/Schuss, 2020). As in official statistics, employment is defined as paid employment or self-employment. Although we control for various observable characteristics of refugees, the regression results should be interpreted as descriptive findings since selection on unobserved abilities and characteristics is not controlled for.

The results show that the employment probability decreases with age and increases with the length of stay (Models 1-3 of Table 5). For women without minor children, the probability of employment is 18 percentage points lower than for men in a comparable household context (Model 1 of Table 5). For women with children of minor age this probability decreases by a further 12 percentage points, in the separate regression for women by 7 percentage points (Model 3).

*Table 5: Determinants of employment and wages*
*Average effect in percentage points (employment) and percent (gross earnings)*

| | employment probability[2] | | wages[3] | |
|---|---|---|---|---|
| | **Model 1 all** | **Model 2 men** | **Model 3 women** | **Model 4 all** |
| **Age[1]** | -0.58*** | -0.84*** | -0.22*** | -1.19*** |
| **years after arrival** | 2.66** | 4.32** | 1.42 | 12.31*** |
| **Female** | -18.30*** | | | -15.96* |
| **toddler in household** | 0.53 | -1.15 | -7.27*** | 1.50 |
| **toddler in household x female** | -11.72*** | | | -17.34 |
| **highest level of education (ref: no school attendance)** | | | | |
| left school w/o degree | 1.09 | 2.10 | 2.64 | 6.74 |
| secondary school | 7.04*** | 10.27*** | 4.32 | 4.10 |
| upper secondary school | 5.26** | 7.71** | 4.85* | -5.30 |
| polytechnical schools | -5.70 | -4.16 | -6.71 | -1.51 |
| vocational training | 13.86*** | 17.27*** | 8.51* | 2.81 |
| college/university/PhD | 5.52* | 7.02 | 5.62* | 22.38** |
| **task level of employment before arrival (ref: not employed before arrival)** | | | | |
| assistant/unskilled tasks | 5.46** | 12.01*** | 3.14 | -5.21 |
| skilled tasks | 3.40* | 9.18*** | 3.46* | 6.60 |
| specialized/expert tasks | 3.10 | 9.55** | 0.93 | 17.48* |
| **integration course completed** | 8.91*** | 10.85*** | 6.24*** | 3.57 |
| **advanced language program completed[4]** | 4.34* | 1.69 | 10.20*** | 7.27 |
| **other language program completed** | 2.82** | 3.84* | 0.33 | -1.18 |
| **labor market program completed[5]** | 5.86** | 3.40 | 13.57*** | -4.58 |
| **labor market counselling** | 6.89*** | 8.63*** | 5.22*** | 3.49 |
| **legal status (ref: in asylum procedure)** | | | | |
| Approved | -2.35 | -0.90 | -4.05* | -10.99 |
| declined (toleration) | -8.35** | -9.57* | -7.63* | 5.53 |
| other status | -0.36 | 3.73 | -5.71 | 12.64 |
| **health satisfaction** | 8.08*** | 13.61*** | 1.99 | 11.59 |
| **regional unemployment rate (in %)6)** | -1.73*** | -1.93*** | -1.47*** | -0.71 |
| **full-time employed** | | | | 102.1*** |
| **average values of variables (in % / in EUR0)[7]** | 35 | 45 | 13 | 1,593 |
| **Observations** | 4,220 | 2,561 | 1,659 | 545 |

*Notes:* ***, **, *: significant at the 1-, 5- and 10-percent level, respectively.- 1) In the age of 18-64 years. -- 2) Dependent variable in the employment regressions is a dummy variable which has a value of one if the person is in paid employment and of zero otherwise. -- 3) Dependent variable in the wage regressions are gross monthly earnings of full- and part-time employees in EURO.-- 4) Advanced language programs which impart advanced vocabulary for professional purposes (i.e., ESF-BAMF-language courses and "Berufssprachkurse"). -- 5) BA labor market programs („perspectives for refugees", „perspectives for female refugees", „perspectives for young refugees", BA language programs, etc.).-- 6) Unemployment rates at the district (county) level are taken from the statistics of the Federal Employment Agency (BA).-- 7) Weighted values.—All regressions include a constant and the following controls not reported in the table: country of origin dummies, year of arrival dummies, citizenship dummies, family status (single, married, divorced, etc.). All models control also for missing variables.

Source: Brücker/Kosyakova/Schuss (2020) based on the IAB-BAMF-SOEP-Refugee Survey (2018).

Thus, we observe a substantial gender gap in terms of employment opportunities even if we control for observable human capital characteristics. This gender gap can at least partially be explained by the family status. Good health condition seems to correlate with employment probability albeit only for men.

Apart from graduates of polytechnical schools, employment probability increases with education acquired before arrival in Germany (Models 1-3) and is particularly high among persons with secondary schooling certificates and vocational training degrees. In turn, secondary schooling and academic education play only a minor role. The latter finding might be traced back to the fact that refugees with academic qualifications have higher reservation wages which makes them search longer for a suitable job than refugees with other educational qualifications.

In addition, while pre-migration work experience is statistically significantly and positively correlated with employment probabilities (Models 1-3), the task level of the jobs performed has not the expected positive impact. On the contrary, the correlation is strongest for unskilled tasks. Moreover, the reported results hold primarily true for men. For female refugees, pre-migration work experience does not affect employment probabilities. The only exception are women who had worked as skilled workers before arriving in Germany.

Post-migration investments in the host-country human capital fosters labor market integration. In particular, the completion of integration courses, more advanced language programs, other language courses and labor market programs as well as job placement and counselling measures offered by the Federal Employment Agency (BA - Bundesanstalt für Arbeit) are statistically significantly associated with an increased

probability of employment (Models 1-3). Local labor market conditions also contribute to employment opportunities of refugees.

*The determinants of wages*

The dependent variable is the logarithm of the gross monthly wage (Model 4, Table 5). As the estimation results show, earnings decrease with age. This is unusual for Germany because numerous findings of empirical research in Mincer-equations show that earnings tend to increase with age due to seniority and work experience (e.g., Heckmann/Lochner/Todd, 2003). The negative correlation found here could be due to the poorer labor market chances of older refugees compared to younger ones which might also reduce their (reservation) wages. However, wages increase with the length of stay, namely by 12 percent per year. Although this trend is likely to weaken over time, it is a strong indication of wage convergence in Germany.

Refugee women earn - after controlling for education, work experience and other human capital characteristics - about 16 percent less than refugee men. These differences apply regardless of whether or not they live with their children and toddlers in the household. The gross monthly wages of refugees with academic degrees are 22 percent higher than those of refugees without schooling and vocational degrees. However, there is no significant correlation between wages and other general schooling and vocational training qualifications. Finally, refugees who performed expert or specialist tasks before migration earn around 17 percent more than those without professional experience. The correlations between earnings and pre-migration work experience in other tasks are not statistically significant.

Thus, a differentiated picture emerges for the returns to human capital acquired abroad in the German labor market: While employment probabilities tend to increase for persons with intermediate levels of schooling and vocational training degrees compared to persons with upper-secondary schooling or academic qualifications, the reverse relationship applies to wages. This might be explained by the fact that people with higher education have higher reservation wages and spend longer time searching for a suitable job. However, once they have found a job, they earn significantly more than people with intermediate educational and vocational qualifications. All in all, it can be said that the human capital acquired in the countries of origin and transit is of value in the German labor market (Brücker/Kosyakova/Schuss, 2020).

## Conclusions

The autumn 2020 will mark the fifth anniversary of the surge of refugee migration which Germany and a couple of other European countries experienced at this time. It is still quite early to take stock of this process, partly because much of the data is only available after a time lag. On the basis of the IAB-BAMF-SOEP survey of refugees, however, it appears that considerable progress has now been made in integrating the recently arrived refugees into the labor market and other areas of society. Four years after moving to Germany, a good two-fifths of the refugees have been in employment; for those who stayed already for five years this figure is just below the 50 percent mark. According to the available data, integration into the labor market is on average several months faster than in previous episodes of refugee migration since the 1990s - although the conditions of the refugees who have moved to Germany since 2013 are less favorable in terms of language skills, educational qualifications and personal networks prior to immigration. However, the conditions for integration have gradually improved: asylum procedures have largely been completed, and a large majority of the refugees have now attended and completed integration courses or other language programs. German language proficiency has improved accordingly on average. In comparison, attendance at general schools, vocational training institutions, colleges and universities is still comparatively low. However, a significant year-on-year increase can also be observed here in 2018, which is likely to continue in the following year.

A considerable gap between refugee men and women is becoming apparent in different dimensions of integration. This applies both to employment rates and participation in integration measures. These differences are closely related to the different family and child constellations of refugee women and men. There might be also other factors at work here, particularly a gender-specific division of labor in the refugee families. However, both refugee females and males, voice overwhelmingly the importance of female labor force participation (Brücker et al., 2016). Moreover, ambitions of female refugees to integrate into the labor market are relatively high (Brücker/Gundacker/Kalkrum, 2020).

The descriptive regression results indicate that participation in integration courses, other language programs, labor market policy measures and job placement is associated with higher employment probabilities. Although these results cannot be interpreted as

causal evidence of the effectiveness of such measures, they are a strong indication that the wide range of measures available in Germany may have increased the employment opportunities of the refugee population. It should be borne in mind that the effects examined are felt with a time lag: For example, the initially slower, but then faster labor market integration of recently arrived refugees compared to previous refugee cohorts suggests that participation in these measures may have initially reduced employment chances due to lock-in effects but accelerated employment rates later. Finally, the employment of refugees is positively correlated with formal education levels as well as with the human capital acquired through work experience. The findings also show that many refugees succeed in pursuing skilled work in Germany even though they do not have formal vocational training qualifications from their countries of origin. This suggests that at least a part of the human capital acquired through training-on-the-job could be transferred to the German labor market.

Nevertheless, the labor market integration of the refugee population continues to lag well behind that of other migrant groups in Germany, particularly that of migrants from the new EU Member States. An important caveat to the extrapolation of the trends described here to the future is the COVID-19 pandemic which unfolded when this paper was written. There are clear hints that the refugee labor force will be disproportionally affected by the economic shock associated with the pandemic (Brücker et al., 2020). With the exception of some system-relevant activities, the crisis affects disproportionally sectors and branches which require the physical presence of the labor force and those which are highly affected by the lock-down, e.g. the hotel and restaurant sector, retail trade beyond super markets, and so forth. In contrast, economic activities which can be performed from the home office, are less than proportionally affected. The refugee labor force displays high employment shares in those sectors which are disproportionally affected by the crisis. It is therefore very likely that the refugee population will be more than proportionally affected by dismissals and short-time work. First data from the Federal Employment Agency prove that, indeed, citizens from the major origin countries of the refugee population are more than proportionally affected by rising unemployment. Even more importantly, the hiring of refugees will come to a halt in the course of the crisis. The process of continuously rising employment rates in the refugee population will be thus reversed. The labor market integration of the refugee population

will therefore more than that of other groups in the German labor market depend on the recovery of the economies from the COVID-19 shock.

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# Integrating Migrants and Refugees into the Austrian Vocational Education and Training System

Eduard Staudecker

*"Refugees are often people with skills, talents, aspirations; if we don't recognize their skills, if we don't give them the training opportunities, if we don't offer them the right to work, they end up appearing to be a burden."*

Alexander Betts on 'Refugees as a resource' at the Skoll World Forum, University of Oxford, Refugee Studies Centre, 18 April 2016

## Skills and qualifications of migrants and refugees – Political Initiatives and Projects

Recognizing the skills, qualifications and professional experience of newly arrived migrants is essential for job matching as well as the identification of adequate further education and training to raise their employability. The transferability of skills is often limited and the recognition of qualifications obtained abroad is challenging. As a result, many migrants and refugees are working in jobs that do not match their levels of qualification (Cedefop/ETF, 2015), while at the same time employers have difficulties finding qualified people with the required skills.

In the case of refugees, the identification and validation of skills and competences is often hampered by the fact that many of them are unable to provide documentation or certification of skills or qualifications, in addition to a lack of knowledge of the host country's language and differing cultural habits and attitudes. Also, knowledge about education and training systems and life circumstances of the countries of origin is often limited in the receiving states, contributing to the difficulty of skills identification. The emphasis of the Austrian education and training system on vocational skills represents a particular hurdle for the recognition of the skills of migrants, which they have acquired abroad.

Austria´s education system at the upper secondary level has various streams of vocational education and training, comprising medium to high level skills and competences with differing weights given to applied occupational and general education. The school leaving certificates and diplomas are a prerequisite for entering into regulated

professions in Austria (Federal Employment Agency, 2016). The close interaction between the education and training system on the one hand and the regulatory system of the labor market on the other render the integration of migrants at medium and higher qualification and skill levels particularly difficult. (Kirilova et al., 2016) Nevertheless, the assessment and validation of vocational skills and competences has become a crucial tool for the identification and understanding of the employment potentials of migrants; in addition, these measures provide information on the needs-based up- and re-skilling to raise the employability of migrants and refugees.

The legal basis for skills recognition and the concomitant institutional underpinning has been established in 2016; it addresses the specific challenges of skills recognition of migrants. The Austrian **"Anerkennungs- und Bewertungsgesetz 2016"** (Recognition and Validation Act) established the right of migrants to get their skills validated and their qualifications recognized, also in cases of a lack of the respective certificates and documents. At the regional and institutional level, a wide range of instruments has been developed to validate the skills of third country nationals, also below the level of a comprehensive formal qualification, be it for identifying upskilling requirements or for job matching.

The Labor Market Service Vienna launched the **"Kompetenzcheck"** (competence check) in fall 2015, at a time when the numbers of refugees started to reach record levels. It was extended nationwide in 2016. This initiative was designed to identify the skills and competences of the substantial inflow of refugees of 2015 and thereafter. It was introduced to speed up the identification of skills and competences of refugees and migrants, their work experience and certified qualifications, to raise the efficiency of job matching. The five - to seven-week training courses were offered in the languages of the major groups of new arrivals, and encompassed German language training, practical experience days and occupational guidance to identify further education and training needs as well as professional career prospects. In 2016, a total of 5,982 refugees (75% men, 25% women) passed the *Kompetenzcheck* in Austria, the majority in Vienna. (LMS, 2016) The results were very heterogeneous, with refugees from Syria having the highest educational attainment levels and persons from Afghanistan the lowest. The tertiary attainment was higher amongst female than male participants, yet they often lacked practical experience. While an approved refugee status was obligatory for being able to participate before 2017, a high probability of recognition of refugee status sufficed

thereafter. An analysis of the recent wave of Middle Eastern and Central Asian refugees (from Syria, Iraq, Afghanistan and Iran) relative to their employment experiences in Austria showed that highly educated refugees experienced significant occupational status loss in their first jobs but could move upwards with the duration of stay in Austria. In contrast, low-educated refugees tended to be satisfied with their first jobs as their qualifications tended to match the job requirements. They did not show any significant upward move in occupational status over time. (Landesmann & Leitner, 2020) The group with medium to higher skills took advantage of the many medium up- and re-skilling measures offered by various institutions, the likes of which are discussed in this contribution, which tended to put them in positions of similar occupational status as in their source countries.

The initiative **„Du kannst was für Flüchtlinge" - „Flüchtlingswissen ist was wert"** ('you know how to do things – refugee skills are in need'[1]) is an Upper Austrian cooperation initiative between the Chamber of Labor, the Chamber of Commerce and the Federal State of Upper Austria. The pilot built on the existing procedure of „Du kannst was!", which assesses vocational skills of workers who have no certification/ diploma, and prepares them for the apprenticeship examination in specified occupations. It was adapted to the needs of refugees with medium to higher skill levels. Both, the LMS-counselors and trainers as well as the teaching staff at schools, stressed the high level of commitment, the pronounced willingness to learn and the occupational flexibility displayed by the majority of refugees.

On federal level, a **National Strategy for Validation of non-formal and informal learning** has been developed in direct response to the (European) Council Recommendation of 2012 on the Validation of non-formal and informal learning. It sets out means and ways to promote and to ensure the quality of validation processes, to make them accessible, to ensure that the results of validation processes are acknowledged and trusted by stakeholders and enterprises. To raise labor market participation of migrants, in particular of low skilled ones, is a core objective of this initiative. In the case of Austria, a comprehensive set of instruments was developed to facilitate validation of learning obtained abroad, identifying refugees and migrants as target groups towards this end.

[1] Free translation to capture the meaning. https://www.ausbilderakademie.at/initiativen/du-kannst-was/

At the European level, in the context of the **"New Skills Agenda for Europe“** it is argued that “For individuals with low-level skills and those who have limited experience with formal education, validation of non-formal and informal learning is key to supporting individuals adapt and integrate into the host society and labour market.” (Hawley-Woodall, 2019: p11)

### Integration measures for young refugees and migrants into Vocational Education and Training

Driven by the significant inflow of young refugees from 2015 onwards, new concepts for further education and training were developed in Austria. The main assumption of the initiatives was that successful, long-term integration of young refugees could best be achieved by vocational education and training (VET) measures. The goal was to provide facilities for the attainment of formal qualifications. The starting point was the identification and validation of skills acquired abroad, to provide a basis for further education and training towards the achievement of professional qualifications in specific occupations. This meant that the education and training approach had a medium-to long-term perspective to ensure sustainable employment and career prospects rather than the quick insertion into any type of job. This is due to the understanding that individuals with a low educational attainment level have poor job prospects and a high risk of unemployment. Therefore, the aim was to offer a comprehensive professional qualification – be it in a full-time school-based setting (vocational schools and vocational colleges) or in the dual system (work-based apprenticeship in combination with vocational schools).

A range of initiatives has been set up by the Austrian Federal Ministry of Education to provide young third country nationals, including those who had already passed the legal age of compulsory schooling, with the option to access the Austrian VET-system to obtain a formal occupational qualification. The goal was to reduce barriers to education and training and to open up avenues for further and higher vocational education, in vocational schools or colleges, or in apprenticeship programs.

### Transition Stage to Austrian VET schools and VET colleges

Starting with the academic year 2015/2016 the Federal Ministry of Education launched the "**Transition Stage at Austrian VET schools and colleges"**[2]. The program was designed for approximately 1.200 refugees between 16 and 24 years of age, who had already completed compulsory schooling in their home country and who were, on the basis of their age, no longer legally entitled to attend school in Austria. The courses (1-2 courses of ~15 students per school) were conducted in vocational schools, vocational colleges and – starting with the school year 2016/2017 – at academic upper secondary schools. Upon successful completion of the transition courses, the young refugees could enter a full-time program in medium or higher vocational education or an apprenticeship training within the dual system. This initiative was the onset of a comprehensive strategy for an inclusive educational policy for young refugees and migrants, who have passed the age of obligatory education in Austria.

The transition courses combine general education and vocational education and training. The 31 compulsory hours per week include contextualized German language training from level A1 upwards, professional orientation/career counselling, personality development and occupational practical experience and training. The focus lies on language acquisition in a work-related context, complemented by sports and physical education.

### Preparatory Transition Stage at Austrian VET schools and VET colleges

With the school year 2016/2017 the **"Preparatory Transition Stage at Austrian VET schools and VET colleges"** was introduced for some 600 young refugees and migrants with no prior knowledge of German, who had not completed compulsory schooling in their home country and were no longer entitled to attend an Austrian school on the basis of their age. Courses are carried out at vocational schools and colleges which prepare young refugees for participation in the Transition Stage program by providing basic German language training as well as general education, guidance and orientation.

After successful completion of the transition stage they may continue with an apprenticeship program or vocational school – precondition is that they are granted asylum. In shortage occupations (especially technical occupations and occupations in the

[2] http://www.schulpsychologie.at/psychologische-gesundheitsfoerderung/integration-von-fluechtlingskindern/initiativen-des-bmbf/lehrgang-uebergangsstufe-an-bmhs-fuer-fluechtlinge/

health sector) apprenticeship education and training is also possible for young asylum seekers without refugee or subsidiary protection status.

### Trends, Developments, Success Rates

A first evaluation of the transition stage at VET schools and colleges suggests good success rates: some 85% of students, who successfully completed the program were subsequently accepted in further educational programs, either by a vocational school, a vocational college, or an apprenticeship program. The program and respective funding were therefore continued at vocational schools and vocational colleges across the country and the number of courses was raised from the initial 45 courses in the school year 2015/2016 to 67 in the academic year 2016/2017. Additionally, the program has been expanded to include general academic upper secondary schools, starting in the academic year 2016/2017 with a total of 36 courses at academic upper secondary schools.

### Additional support measures

A range of support services has been introduced to cater for the specific needs of young refugees but also for the needs of schools and teaching staff working with young migrants with targeted topics such as language acquisition, psychosocial counselling, and intercultural competence.

German language training is often the first step towards integration in Austria. Before the school year 2016/2017 students, who were – based on their age – entitled to schooling and who were attending a school at compulsory level, but who had insufficient German language competence to follow the school curriculum, were provided with additional German language training. These courses were offering German language training from level A2 upwards[3] to enable students to follow schooling. Starting from the academic year 2016/2017 – and within the legal parameters of § 8e SchOG – "**German language trainings – starter groups/ German language improvement Courses" (Sprachstartgruppen/ Sprachfördergruppen)** were offered for students at upper secondary level who were not yet able to follow regular classes.

[3] Referring to the six levels of the Common European Framework of Reference for Languages: Learning, Teaching, Assessment (CEFR)

There is evidence that the majority of young refugees directly witnessed or experienced traumatizing incidents during their journey, including detentions, shootings, physical assault, death of family members, etc. Research indicates that the vocational integration of disadvantaged adolescents and adults is most successful when their whole life situation is stabilized through appropriate educational intervention. Teaching and counselling staff therefore need to be trained and equipped with a set of skills that will enable them to deal with traumatized children and adolescents in a manner that stabilizes them emotionally and helps them to resolve their crises and to adapt successfully to the requirements of formal education and training. (Gahleitner et al., 2017) The initiative **"Mobile intercultural teams" („Mobile interkulturelle Teams“)** is one such instrument to help students and teachers alike. It has been set up by the Federal Ministry of Education to provide support for head teachers and school inspectors of schools. The multilingual teams consist of professionals in the field of psychology, social work and (social) education and in the field of intercultural and communicative skills. They provide support in the following areas: casework, prevention work, conflict management, networking, and counseling. They also engage with teaching staff and parents, support the family environment of young migrants and carry out networking activities. The aim is to constructively integrate young refugees into everyday life at Austrian schools, to fully integrate them into school and classroom communities.

Socio-cultural learning needs to be addressed from various vantage points: the refugees as well as peers, educators and mentors of the receiving country. Both sides lack information and knowledge about the cultural and societal norms and beliefs of the ‘other’. It is essential to equip the receiving society with an understanding of the causes of flight and/or migration, to raise intercultural awareness and to promote intercultural communication. Towards this end, the Ministry of Education has established a teacher training course in **"Cross-cultural competence"**. The aim of the program is to promote transcultural competencies of teachers. In everyday life misunderstandings often arise out of differing cultural behavior patterns and beliefs as well as language barriers. Through awareness raising of different concepts of life in other societies, one may combat prejudices and promote cross-cultural communication and understanding (“unprejudiced encounters and unprejudiced action”). The content of the program is to inform about different ways of living together, the role of schools and education in collective and individualistic societies, the status and role of teachers, differences in

socialization processes, communication barriers, conversational styles, the influence of religion, and the like.

### Refugees and migrants in adult education

Considering the large share of refugees arriving with a relatively low level of education – in 2018 some 41% of the refugees and recipients of subsidiary protection registered with the labor market service had a low educational attainment level, i.e. ISCED 0-2 (Baumgartner et al., 2020: p24) - it was necessary to upgrade their skills and competences such that they are able to access education and training as well as work; in addition, further education is called for to enable them to fully participate in everyday social life. Given the great heterogeneity of skills of migrants by country of origin, age and gender, tailored education and training measures had to be offered. Accordingly, adult education programs were put in place for refugees who were past the compulsory schooling age. The great majority of programs offer basic education, not least because some refugee groups, in particular those from Afghanistan and Somalia, have very high proportions of youth and adults who have no or only minimal formal education. For this group of learners, open learning methods tend to be employed, giving a lot of space to individual learning capacities and desires.

#### Basic Education Courses and Compulsory School Leaving Certificate

Refugees or migrants, who have not or have only irregularly attended school in their country of origin, or who were alphabetized in another script, may access basic education courses within the system of adult education. These courses are offering basic competences – including literacy, numeracy, ICT competences as well as learning techniques and methods. Upon successful completion, they may continue along a learning path towards a school leaving certificate. This certificate is a prerequisite for further education, e.g. vocational education and training programs. The courses are comprehensive and encompass an initial skills assessment and the design of a tailored and needs-oriented curriculum including four compulsory and two additional modules. Guidance and counselling measures as well as psychosocial coaching are available throughout the entire course. In addition, specific courses have been implemented to equip **teachers and trainers** with the necessary professional skills and competences to adequately respond to the needs of this specific target group of learners.

### Guidance and Counselling

The second important strand of targeted measures in the field of adult education entails the provision of **educational guidance and counselling**. These initiatives offer in-depth information about the Austrian education and training system and the wide range of opportunities and career options flowing from the various education streams and skill levels. In addition, the adult learners are receiving guidance for the choice of further education and training, building on the skills and competences they have already acquired. The validation of non-formal and informal learning plays an important role in this context. Furthermore, the migrants receive support in drafting their personal development plans, in preparing job interviews, entrance examinations or recognition procedures. They receive additional language training, as well as continuous support and counselling within a system of mentors and peers.

### Integrating refugees and migrants into the Austrian dual system

The Austrian apprenticeship system is one of the most important educational pathways for youth. From all VET students at upper secondary level around 45 % are in the apprenticeship system. In the last couple of years, a decline in apprenticeship places in training companies evolved, above all in Vienna, but training companies continue to exist in certain economic sectors which cannot fill all their openings for apprentices. Integrating young refugees into the apprenticeship system can help reduce the regional skills mismatch, assuming refugees are willing to move out of the cities, in particular Vienna, and into rural areas. Learning by doing, which is the principle of apprenticeship education and training, is often the best and fastest way of integration of refugees. According to §19c Abs.1 of the "Vocational education and training act" (Berufs-ausbildungsgesetz 1996) enterprises offering an apprenticeship to youth with specific needs may receive a subsidy for doing so ("betriebliche Lehrstellenförderung"); over time various groups of youth have been identified as deserving such a subsidy, migrants with learning difficulties and more recently unaccompanied minors are among them. (Schlögl et al., 2016)

### Support measures which foster sustainable integration of migrants and refugees

Integration policy aspects are taken into account in various funding measures and subsidies of apprenticeships. Among them are tutoring courses for apprentices with

immigrant background in German, mathematics, modern foreign language or native tongue. The ceiling per apprentice is EUR 3,000 for the entire training period.

Immediately after starting an apprenticeship, the company and the apprentice are accompanied by the nationwide programme “Coaching and counselling of apprentices and training companies”, in priority policy areas. Among those are migrants and migrant/ethnic businesses, SMEs in general and young women in non-traditional jobs. Under this programme, the apprentice and the training company get free professional and, if necessary psychosocial or psychological, support. The activities in this programme are continuously evaluated. (www.lehre-statt-leere.at/)

In 2016, a new funding option was introduced in the directive for company-based apprenticeship subsidies, which offers subsidization for projects that focus on one of three specified areas: integration of young adults who already have some specific competences in an occupational field, the nationwide transition of young refugees into an apprenticeship, and branch specific qualification measures. To finance such projects 10 Million Euro per year are available. All projects include preparatory activities like language courses, career preparation, coaching and monitoring for companies and apprentices/young adults.

In 2016 nine pilot projects were launched, providing 785 training places for young people and young adults. First experiences have shown that the level of motivation among young people is very high, consequently hardly any drop-outs were recorded after the clearing phase. Feedback gathered from the companies involved was also positive. Additionally, projects can be funded in so called "white spots", e.g., in fields where the integration of young women with migrant background is promoted.

All measures of company-based apprenticeship subsidies are financed by the Insolvency Remuneration Fund. The Austrian Ministry for Science, Research and Economic Affairs (up until 2019) had the authority over company-based funding measures. For the approval of projects and prior to signing a subsidy contract, the Austrian Ministry for Social Affairs had to agree as well. In addition, exchange of experience with the Austrian Ministry for Education was the rule. The social partners (Chamber of Commerce and of Labour, together with the unions) and the LMS were represented in the capacity of an advisory task force. For assistance, monitoring and audit control of the projects, a project office was set up.

The city of Vienna with its 1.9 million inhabitants has the largest number of refugees, many of them unemployed. The municipality has therefore decided to launch a project "unaccompanied minors in Viennese vocational schools", where young asylum seekers and refugees are allotted to existing classes in vocational schools. The students receive additional support in German and Mathematics, are able to attend classes and seminars voluntarily and are offered possibilities for sports and exercise. The Viennese educational foundation is reserving additional German courses at adult evening centers for this specific target group. The following occupations are open for this target group: electrical engineering, metal working, bricklaying, carpentry, painting, gardening and floristics, wholesaling, cookery, waiter/waitress, system catering, design of apparel, hairdressing.

The pilot went well. Participation rates were stable, the learning progress was significant and social integration was promoted. On the basis of these results, the „Youth College" was launched in Vienna in spring 2016, combining job placement in the dual system with additional German language training. The project entailed basic education courses for immigrant youth aged 15 to 21 at German language competence level A2. The German language courses go beyond language training and include educational and career guidance, IT-training, job and apprenticeship placement search techniques as well as counselling on further education options.

### Strategic considerations

The above initiatives are important in their own right as they open up employment and career prospects for low- and medium-skilled migrants and refugees. At the same time the supply of skilled labor is raised thereby, thus compensating for the declining numbers of youth in this medium skill education stream. The latter is a consequence of demographic change with the baby-slump generation entering this age group, in combination with the general trend towards higher education. In this sense there is an educational strategy as well as an integration strategy in place. They are building on the belief that societal cohesion and economic growth are better served by these initiatives than by a laissez-faire policy which leaves it up to the individual to fend for himself in our times of rapid economic and technological change. In addition, public opinion will be positively affected thereby, as it becomes clear that migrants are an asset and not a

burden, and that they contribute not only to their own livelihood but also to the economic potential of Austria.

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# The complex interplay of flexibility and mobility in European labor markets

Gudrun Biffl

## Introduction

Mobility of low-skilled workers is not only about geographical mobility but also about social mobility and thus the upward mobility in terms of wages and equality of chances in the labor market. Segmented labor markets on the demand side and 'superdiversity' of labor on the supply side open up a complex set of opportunities and career paths for low-skilled workers in the various Member States of the European Union (EU-MS). While skilled migrants generally enter the primary labor market, alleviating domestic skill shortages in specific occupations, thus gaining access to the (social) mobility ladder available to natives, low-skilled migrants tend to be relegated to the secondary labor market, with little chance of moving up the occupational and social ladder. Further education and training offer opportunities for low-skilled migrants as well as natives to stay in employment and escape the trap of dead-end jobs, low wages and difficult working conditions.

## The low-skilled and their mobility in Europe: some facts and figures

This chapter identifies the level and composition of the low-skilled population in the European Union (EU) by country or region of birth. The focus is on their integration into the labor market, based on labor force participation and unemployment rates.

### Native and foreign born low-skilled population

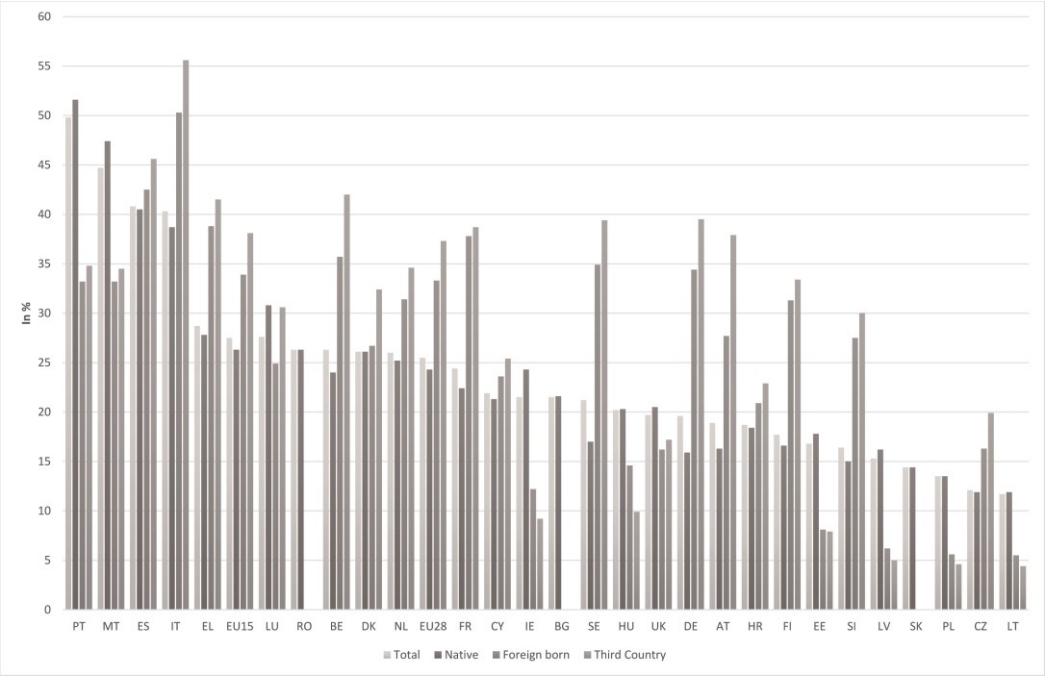
In 2018, some 527 million people lived in the European Economic Area (EEA) and 512 million in the EU28. In the EEA 63.3 million or 12% are foreign born, not dissimilar to the 11.7% in the EU28 (60 million). 65% of the total population were of working age (15-64); of the migrant population (foreign born) a much larger percentage is of working age, namely 78%. This is an indication of labor migration being the main driver of migration, partly for economic reasons promoted by the right to free movement of workers within the EU, partly as a consequence of immigration policy with its focus on labor migration from third countries; family migration is restricted to the partner and dependent

children; accordingly, dependent children - but above all older persons - are underrepresented in the migrant population.

The proportion of the population of working age with a low educational attainment level (less than primary, primary and lower secondary education = ISCED levels 0-2) amounted to 25.5% in the EU-28 (83 million). The share was somewhat higher in the EU15 with 27.6% (71 million) and significantly lower in the Central and Eastern European Member States (15.2%). Even Romania, the country with the highest share of low-skilled in the Central and Eastern European EU-MS, has a slightly lower share of low-skilled persons in the population of working age (26.3%) than the EU15 on average. This is a result of the high priority given to education by the former communist regimes. The latter aimed at establishing a new society radically different from the former, eliminating social classes via educational upward mobility and homogenization, identifying education as a panacea for inequality. (Olejnik, 2017; Beblavý et al., 2011; Russell, 2009)

On average in the EU28, it is the migrant population that has higher shares of low-skilled persons with 33.3%. The native population of working age had a somewhat lower share of low-skilled persons (24.3% in the EU28), with large variations between the EU-MS. The EU countries with the lowest shares were, as mentioned above, amongst the new EU-MS in the East: the Czech Republic and Lithuania (both 11.9%) taking the lead, followed by Poland (13.5%), Slovakia (14.4%) and Slovenia (15%). In contrast, in the EU15, the share of low-skilled amongst the native active population amounted to 26.3%, with a spread of 15.9% in Germany, followed by Austria (16.3) and the Nordic countries - Finland (16.6%) and Sweden (17%) - and a high of 38.7% in Italy. The Southern European Member States have the highest shares of native low-skilled persons with Portugal (51.6%) in the lead, followed by Malta (47.4%) and Spain (40.5%) – largely a result of their economic development level with comparatively large labor intensive agricultural & fisheries sectors and small family businesses. The high shares of low-skilled workers may also be attributed to the prevalence of large informal sectors (see Tudose & Clipa, 2016) which tend to offer employment opportunities for native as well as migrant workers.

*Figure 9: Share of low skilled (ISCED 0-2) in the population of working age (15-64) by country / region of birth in %: 2018*




Source: Eurostat

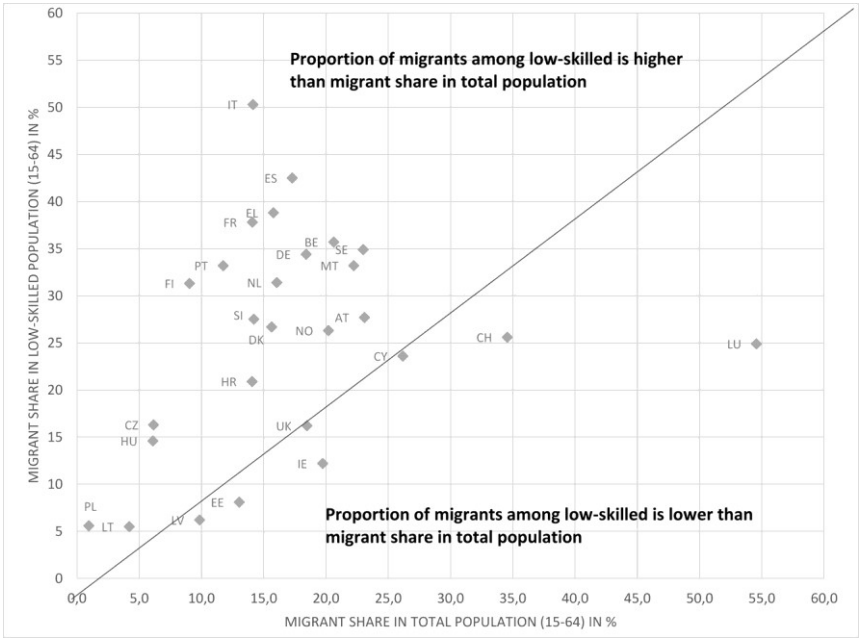
It can be taken from Figure 1 that the proportion of low-skilled migrants in the population of working age differs greatly between EU-MS: The diversity is not only a consequence of economic and technological development, but also of immigration policy, in more recent years also of refugee inflows. Accordingly, the countries with the highest shares of low-skilled third country citizens are Italy with 55.6%, followed by Belgium (42%), Greece (41.5%), Germany (39.5%), Sweden (39.4%), France (38.7%) and Austria (37.9%).

An analysis of the EU migrant stock shows that the population of migrants originating from the EU28 countries tends, on average, to have a slightly higher share of low-skilled (25.2%) than the native-born population (EU28: 24.3%), but significantly lower shares than third country origin migrants (37.3% in the EU28). Exceptions are the Southern European countries Portugal and Malta; they have the highest shares of un- and semi-

skilled native populations in the EU28, surpassing even the share of low-skilled third country migrants in their countries.

One may learn from Figure that in most EU-MS the share of low-skilled migrants amongst the low-skilled population is higher than the average migrant share in the population, indicating that there is a demand for low-skilled migrant labor. Austria may serve as an example with a share of migrants in the total population of working age of 23.1% compared to a share of migrants among the low-skilled population of 29.7%. This pattern is even more pronounced in Spain with a migrant share in the active population of 17.3% and a proportion of 42.5% amongst low-skilled persons. In contrast, in Switzerland, and even more so in Luxembourg, a relatively small proportion of the low-skilled are migrants (25.6% respectively 24.9%) but the migrant share in the total population is amongst the highest in the EEA with 34.6% respectively 54.6%.

*Figure 2: Migrant share in total population of working age and proportion of low-skilled migrants (foreign born) among low-skilled population of working age in % in the European Economic Area: 2018*




Source: Eurostat data

### Labor force participation of the low-skilled

Different models of social organization, which are historically grown and which constitute "incorporation regimes", determine the degree and type of integration of the population into the labor market. According to Soysal (1994), each country has a complex set of institutions which organize and structure socio-economic behavior; these basic models of social organization are extended to migrants and impact on their labor market behavior. Brubaker (1992) argued in the same vein, suggesting that different labor market outcomes of immigrants flow from basic differences in national models of 'incorporation', comparing the effect of the French civic territorial model which grants citizenship rights to those born on its territory with the German ethno-cultural model, which grants citizenship on the basis of ethnic origin (Aussiedler).

In my view, it is above all the welfare model which structures labor market behavior of natives as well as migrants (Biffl, 2004a/2008). The four basic welfare models in the EU, the Nordic, the Anglo-Saxon, the Continental and the Southern European Model, give different roles and weights to the labor market, the state, and the household for the production of goods and services. Countries which relegate a large portion of work, in particular social services, to the household sector by tax incentives or transfer payments (Continental and Southern European countries) have a lower employment rate of women than countries in which the state (Nordic countries) or the private sector (Anglo-Saxon countries) are the major suppliers of these goods and services. Thus, the participation rate of migrants, in particular of migrant women, is determined by the labor market access rights stemming from the migration model (EU-mobile workers vs third country citizens) on the one hand, and the welfare model on the other. While the immigration model determines who may settle, access the labor market and under what conditions, the welfare model structures the division of work between the market and the household. Accordingly, labor force participation declines as one moves from the North to the South of Europe, together with the proportion of women in employment and the share of the public sector in total employment. The Anglo-Saxon model tends to differ somewhat in that it has a comparatively high degree of integration of women into the labor market but a fairly small public sector. This is due to the transfer of household services to the private sector and non-profit institutions: the services provided are often at the core of the low-wage sector. In contrast, in the Nordic countries these personal

services, in particular care work and health services, are provided by the public sector with good working conditions and pay.

The labor force participation rates of low-skilled persons tend to be on average across the EU lower than those of the total population of working age: in 2018 the difference amounted to 25.9 percentage points in the EU28 (53.6% versus 79.5%). It is the low-skilled natives rather than the migrants with the lowest activity rates. While the natives had an activity rate of the low-skilled of 51.7% in the EU28, the foreign born had 62.6% (+10.9 percentage points). Amongst migrants the rate was higher for mobile low-skilled EU migrants (67%) and lower for third country low-skilled workers (61.1%).

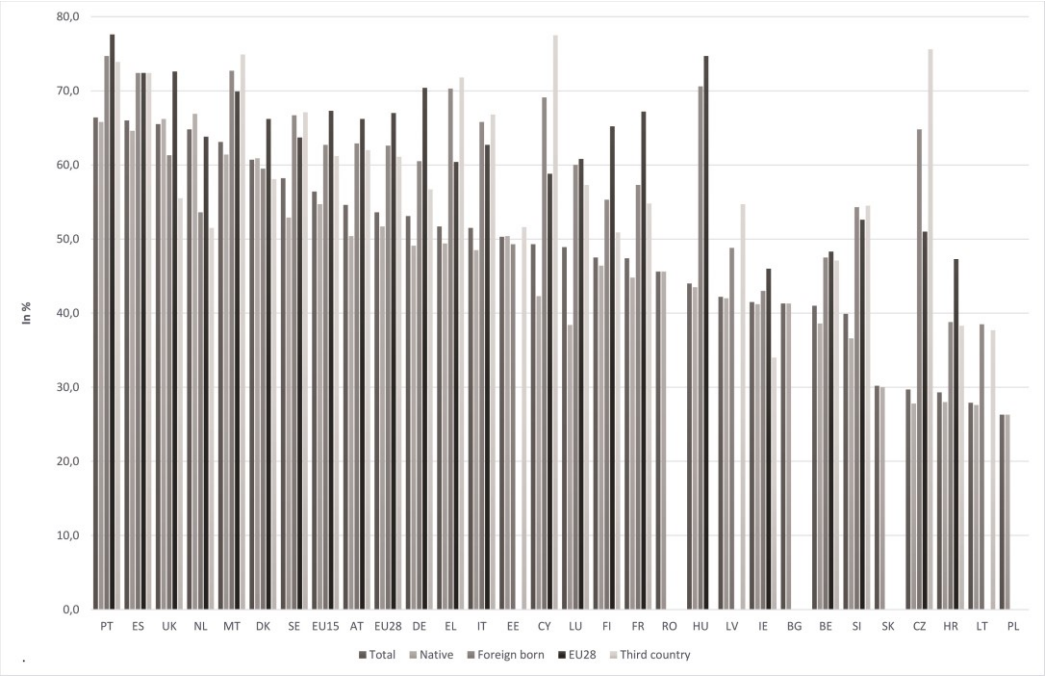
The pattern of activity rates by country/region of birth differs between the various EU-MS, as can be taken from Figure. While the native born low-skilled workers tend to have the lowest activity rates in most EU-MS (exceptions are the Netherlands, the UK, Denmark, and Estonia), low-skilled migrants from third countries show a diverse pattern. In some countries they have higher activity rates than EU-citizens, e.g. in some Southern European countries – Cyprus, Malta, Italy and Greece – but also in Sweden and in some Central and Eastern European Member States, e.g. the Czech Republic and Slovenia. But in all other countries low-skilled third country migrants have at times significantly lower activity rates than EU citizens; the UK takes the lead with -17.1 percentage points, followed by Finland (-14.3 percentage points), Germany (-13.7 percentage points), France (-12.4 percentage points), and Ireland (-12 percentage points). This differentiation is the outcome of the interaction between the welfare system on the one hand and access rights of third country migrants on the other.

The low labor force participation of low-skilled native born tells us a lot about the state of the local labor market for natives, which tends to be marked by low wages and bad working conditions. (Hallek Vega & Elhorst, 2016; Luginbühl & Musiolek, 2016) In the face of such a situation, native workers who are able to move out of the region/ country turn to countries/regions with better employment opportunities and higher wages. Accordingly, after Eastern enlargement of the EU, not only higher skilled workers but also low-skilled workers migrated from CEECs to other EU-MS; an increasing outflow from South to North of Europe could be observed after the economic crisis of 2008/9, and only recently do we see a slowdown and in some cases even a turnaround of this movement.

From an economic perspective, labor mobility from areas with high unemployment and low wages to regions with labor scarcities is rational and efficient. Besides, with the introduction of the single currency, the euro, monetary instruments (exchange rate adjustments) can no longer be employed to counter macro-economic inequalities. Instead, labor market adjustment mechanisms, in particular wage flexibility and mobility of labor (flexibility of prices and quantities) have to come to play to reduce economic disequilibria. As wages tend to exhibit greater inertia than exchange rates, i.e., they respond more slowly to a changed environment, the adjustment process via wages is slow. Mouhoud and Oudinet (2006) point out that the elasticity of migrant flows relative to labor market inequalities (unemployment, wages) has to be high and surpass migration costs (network effects – family / friends, language and cultural barriers, welfare benefits, housing etc.). As differences in achievable wage rates continue to be pronounced between the East and the West of Europe, they are the main motivating force for out-migration. Accordingly, labor mobility within the EU has become the major instrument to even out labor market inequalities - just as in the USA, as Blanchard and Katz (1992) point out.

In Europe, we see substantial out-migration of low-skilled workers from the periphery in the East, e.g. Romania, Bulgaria, Poland, to EU-MS with better labor market conditions (UK, Ireland) but also to EU-MS with lower language and cultural barriers (Italy, Spain, Portugal) and a flexible component of the labor market run on contract labor. But the increased inflow of EU low-skilled migrants from CEECs to the Southern periphery of the EU as well as the UK (Vasey, 2016) did not raise the labor force participation rates of native low-skilled workers. Instead, employment levels in low-wage jobs and industries were rising, flowing from job-creation via immigrant labor.

*Figure 3: Activity rates of low-skilled workers (ISCED 0-2) by country / region of birth: 2018*




Source: Eurostat

With increasing regional integration of production and regional specialization of certain processes in production chains between EU15 and the new EU-MS in the East, particularly between Germany and Austria and the CEECs, the latter could catch-up in terms of labor productivity and wages. (Fidrmuc et al., 1998/1999; Havlik et al., 2008; Levasseur, 2019) The regional industrial specialization processes allowed the realization of industry-specific economies of scale, resulting in increased economic growth which contributed to income convergence between the countries concerned. With time, also out-migration from CEECs to Western Europe is declining.

Apart from increased economic integration and the concomitant boost to trade relations, the EU structural funds (ERDF = European Regional Development Fund and the ESF = European Social Fund), the Cohesion Fund and the Common Agricultural Policy (CAP) contribute to a reduction of regional disparities in income, wealth and opportunities. (Biffl, 2018a) They are implemented to equalize pay and working conditions across European regions, not least to eventually limit the flow of migrants

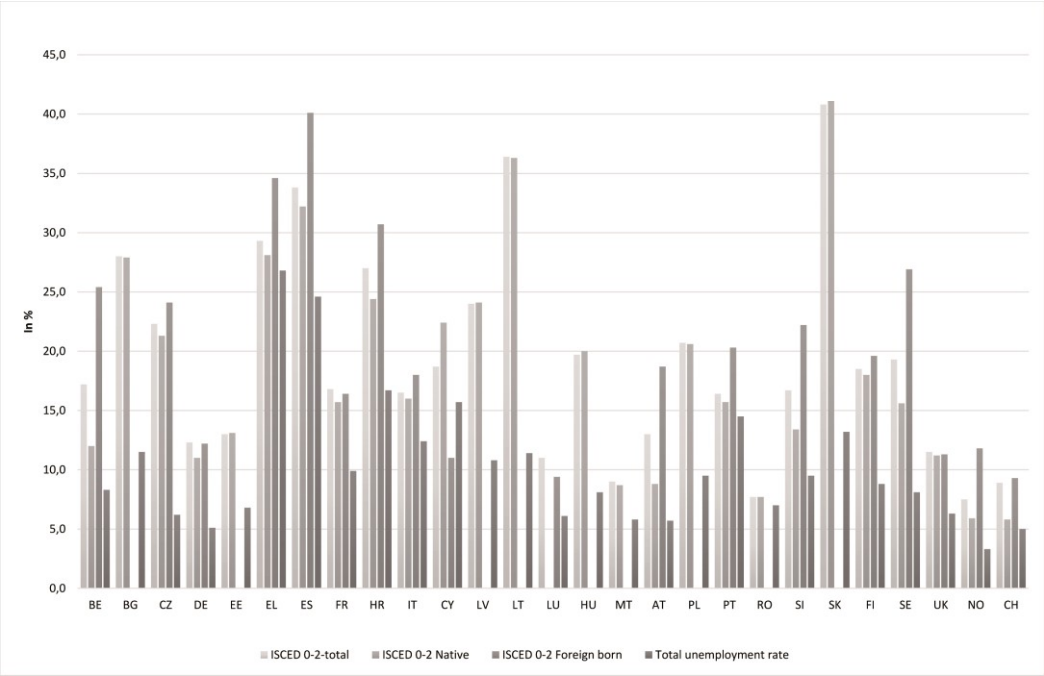
from East to West and South to North. These instruments may somehow be likened in their effect to the fiscal federalism in the USA, where federal tax payments decline in case of a declining economic activity of a region/state, and federal transfers increase. (See Sala-i-Martin & Sachs, 1991)

### Low-skilled workers and unemployment

Not only do low-skilled workers have lower activity rates than higher skilled ones, they also suffer greater job instability. Accordingly, their unemployment rates are, depending on the business cycle, often significantly higher than those of better skilled persons. In 2018, at the peak of the business cycle, the average EU unemployment rate amounted to 7% compared to 14% for low-skilled workers. A differentiation by country/region of birth indicates that low skilled migrants are more affected by unemployment than equally skilled natives, as shown by a pilot study of Eurostat (2011) and a special EU-wide labor force survey (LFS) in 2014.

In the LFS of 2014, which focused on migrant integration, the unemployment rates of low-skilled workers were on average twice as high as the average unemployment rates in the European Economic Area (EEA). (Figure 4) Foreign born low-skilled workers were more affected by unemployment than native born with the exception of Cyprus. In Austria, the EU-MS with the then lowest unemployment rate of 5.7%, the rate of low-skilled workers reached 13%; foreign born suffered a rate of 18.7% compared to 8.8% of native born low-skilled workers. Even more pronounced was the differential between foreign born and native born low-skilled workers in Sweden, a country with an average unemployment rate of 8.1% in 2014. In this case the unemployment rate of low skilled foreign born amounted to 26.9% versus 15.6% of natives with equally low skills. In some countries there is, however, hardly a difference in unemployment rates of low-skilled natives and migrants, the UK being one example (natives 11.2% versus foreign born 11.3%), followed by France (natives 15.7% versus foreign born 16.4%), Germany (natives 11% versus foreign born 12.2%), Finland (natives 18% versus foreign born 19.6%), and Italy (natives 16% versus foreign born 18%).

*Figure 4: Unemployment rates of low-skilled workers (ISCED 0-2) by country/region of birth in the EEA: 2014*



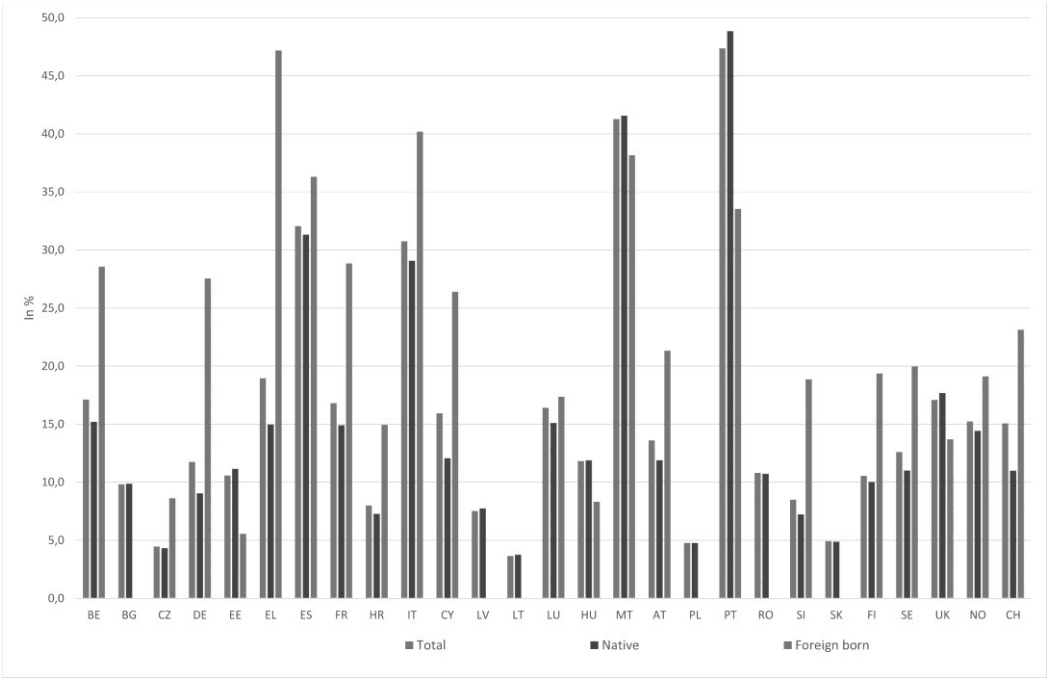

Source: Eurostat

### Low-skilled workers and employment

Given below average activity rates and above average unemployment rates, low-skilled workers are underrepresented in the workforce relative to the population. Accordingly, in 2018, 17.1% of all employees, i.e., 38 million people, were low-skilled workers (15 – 64-year-olds) in the EU28. Their share was somewhat higher with 19.3% (34.3 million employees) in the EU15. The EU-MS with the lowest shares of low-skilled workers in total employment were the new EU-MS in Central and Eastern Europe – as mentioned above, with shares between 3.7% in Lithuania and 11.1% in Bulgaria; Romania has a share of low-skilled workers in total employment comparable to the EU28 average, with 17.3%. The countries with the highest employment shares of low-skilled workers are in Southern Europe; Portugal is taking the lead with 43.8%, followed by Malta (36.2%) and Spain (33%).

In most countries of the EEA, the share of low-skilled migrants in migrant employment is higher than the share of low-skilled native born in the employment of natives. Exceptions are Portugal in the South of Europe (33.5% vs 48.8%), the UK (13.7% vs 17.7%) and many of the Central and Eastern European EU-MS, as the majority of migrants are in the upper skill segments.

*Figure 5: Share of low-skilled workers in total employment by country/region of birth: 2014*




Source: Eurostat

This diverse pattern of low-skilled native and migrant workers in the European Union is the result of the interaction of diverging economic and technological developments, different institutional ramifications, regulatory systems and densities of regulation (OECD, 2013). Economic and technological developments are intertwined with the institutions of socio-economic organization. The education system is an important element of the institutional landscape. It does not only provide skills and competencies for the labor market but represents also an instrument of social stratification. Pechar and Andres (2011) as well as Beblavý et al. (2011) propose to use the concept of welfare

regimes as an analytical tool to better understand national education policies. They focus on the three ideal welfare regimes postulated by Esping-Andersen (1990) – the liberal, the conservative/corporatist and the social-democratic – Czarnecki (2014) widens the scope by including 'post-communist' regimes – and identify interactions between social protection regimes and education policy. The conservative/corporatist welfare regimes of continental Europe (Germany, Austria, Belgium, France, Netherlands, Luxembourg) tend to preserve traditional status differentials, and education policy does not seem to be able to counter this basic policy orientation. Also, liberal welfare regimes (United Kingdom, Ireland) do not aim at changing preexisting social hierarchies; as a matter of fact, these countries exhibit more inequality in terms of income, Gini co-efficient, health and housing than the conservative regimes, and their education policy does not promote social mobility either, as Willis forcefully argues in his widely acclaimed book *Learning to Labour* (1981). The social-democratic regimes (Scandinavia), in contrast, are redistributive in character, based on a fairly flat wage and income distribution and the principle of equal opportunity and equal access to education. (OECD, 2018; Waldenström, 2016)

The Southern European or familial models on the other hand, tend to relegate a large proportion of work to the household, thereby promoting casual employment, employment in the informal sector and/or in the family, particularly of women. This system contributes to the comparatively low labor force participation of women and does not provide sufficient incentives for higher education, in particular of women and persons of poor socio-economic background. In addition, labor market reforms in Spain in 2012 opened up a secondary labor market on the basis of temporary contract labor, with hardly any chance to escape from low-wage and high-turnover employment. (Cabrales et al., 2014) Accordingly, the demand for higher education and professional services is low; in addition, the gap between the rich and the poor is considerable – according to the OECD-Better-Life-Index[1] "the top 20% of the population earn close to seven times as much as the bottom 20%" in Spain.

Biffl and Isaac (2002:439) point out that youth of less advantaged background find it hard to access and succeed in higher education anywhere in Europe, independent of the welfare regime. Nikami et al. (2019) argue in the same vein specifically for Nordic countries. However, in the majority of EU-countries the educational mobility of second-

[1] http://www.oecdbetterlifeindex.org/countries/spain/

generation migrants with low-skilled parents is higher than that of their native peers. According to Oberdabernig and Schneebaum (2017:3726) "…the difference in educational attainment between natives and second-generation migrants has been narrowing across the two most recent generations." This implies that in the long-run educational assimilation of migrants with natives can be expected.

In addition to economic developments and education, the immigration regime and historical trajectories impact on the skill composition of migrants. In the case of Austria, the guest-worker model channeled low skilled migrants into specific occupations and tasks, thereby paving the way for a labor market incorporation model built on complementary between largely higher skilled native and low-skilled migrant workers. (Biffl, 1996) In contrast, in Southern European countries as well as France, a different type of duality emerged, with permanent employees having high levels of job security and investment in training opportunities, while a large and growing segment is relegated to a secondary labor market distinguished by temporary labor contracts with a low level of employment protection, independent of skill level. (García-Serrano & Malo, 2013; Garibali & Taddei, 2013; Barbanchon & Malherbet, 2013) According to Ulu and Muzi (2015) also Sweden runs the risk of developing a dual labor market as it has one of the largest differences in employment protection between permanent and temporary employees, many of the latter low-skilled migrants. Temporary and contract workers are marginalized through low levels of pay, social benefits and training opportunities. (Biffl 2010/2004b) While protecting employees is important, excessive protection, particularly if it differs across different types of employment contracts, has adverse effects on welfare and economic performance.

### The social mobility of low-skilled migrants in the EU-labor markets

This chapter has a focus on the choices and opportunities of low-skilled migrants in the receiving EU-countries, and what is needed for migrants to assimilate economically with natives. The social mobility of low-skilled workers, be they native or foreign born, depends crucially on chances to upgrade their skill levels. This is the tenet of human capital theory with its focus on labor supply characteristics. Its message is particularly pertinent in the situation of low-skilled labor saving technological progress and international outsourcing of low-skilled production in all EU-MS, reducing the demand for low-skilled workers. In addition, EU labor markets are divided into separate segments,

distinguished by different characteristics and behavioral rules. (Reich et al., 1973) A subcase of segmentation theories is the dual labor market theory according to which the primary sector tends to be reserved for the better skilled and the secondary sector for lower-skilled and/or marginalized groups of workers, with little mobility between the two. Insider-Outsider theories (Lindbeck & Snower, 1986; Biffl, 2000) make a bridge between labor supply and labor demand, by identifying Insiders as workers with stable and well-paying jobs, and Outsiders as workers with unstable employment conditions and low wages. The latter are prevented by Insiders from entering internal labor markets with high wages and career ladders. Accordingly, people with the same skills but other socio-demographic characteristics or legal rights may have different employment careers. In the case of migrants in the EU, the different legal status of third country migrants as compared to natives and mobile EU-citizens may suffice to send them to the periphery of the labor market. Only if they have scarce skills may they become Insiders and move up the career ladder.

According to the above theoretical considerations, different ways of incorporating low-skilled migrants into the labor market may be expected in the various EU-MS, in response to differing economic and technological development levels, institutional landscapes and degree and type of segmentation of the labor market. The latter relates among various factors to occupation, industry, competitive position of the firm as well as firm size on the one hand and different types of workers on the other. All these have an impact on the access to jobs (recruitment), wages (remuneration) and employment stability (retention).

The complex labor demand conditions are confronted with an equally diverse and segmented labor supply. According to Vertovec (2007) labor supply is characterized by 'superdiversity' resulting from differing legal stati of mobile workers (contract workers, seasonal workers, third country vs EU-migrants, dispatched workers, to a lesser extent irregular migrants), language and cultural background as well as age and gender. The complex structures and dynamics of labor supply and demand facilitate the differentiation between socio-economic groups in the recruitment process, in wage setting and the retention of workers. As a result, the process of job matching becomes increasingly challenging, requiring special attention by labor market institutions.

In their book, Meulders et al. (2004) provide an overview of the labor market prospects of low-skilled workers in Germany, Belgium, Italy, the UK, Ireland and

Switzerland. In the case of Italy, Cappellari (2004) provides evidence that low-paid workers have considerably higher job insecurity than better paid workers and that the former often get stuck in low-paid jobs. Not much different is the situation in Switzerland; de Coulon and Zürcher (2004) show that it is not the socio-demographic background but much rather a long duration of employment in low-paying jobs that hinders social mobility over the life cycle. D'Arcy and Finch (2017) tracked low-paid employees in the United Kingdom and showed that only a small proportion could escape low-wage jobs (17% over a 10-year-period of employment). Another important message for the UK is provided by Leontaridi and Sloane (2004), namely that there is no clear evidence that lower paid workers are less satisfied in their jobs than higher paid ones, in particular women part-time workers. This implies that there is more to the quality of a job than pay levels, and that low-paying jobs are not necessarily bad jobs.

In the case of Germany, Geishecker (2004) establishes that labor demand for low-skilled workers declined substantially due to international outsourcing of production by certain manufacturing industries, in particular electrical engineering, chemical, office machinery/computer and the paper industry. Thereby the demand for low-skilled workers deteriorated, reducing employment opportunities of low-skilled workers. Mahy and Paindavoine (2004) provide proof for Belgium that monopsony power may entice firms to exploit low-skilled workers by paying lower wages than warranted.

For Austria, Biffl (2000) provides evidence of a dual labor market, with high wage industries and large internal labor markets employing almost exclusively native workers on the one hand, and small and medium sized enterprises under severe competitive pressure with a mixed workforce and on average lower pay. Employment in the primary segment is stable, with further education and training provided by the company, steady wage growth and good career prospects. In contrast, small-scale industries exhibit greater job fluctuations and wage flexibility for all workers, but more so of migrants than natives. In addition, migrants tend to be paid the collectively agreed minimum wage while natives tend to receive pay beyond the minimum wage. The high labor turnover in small-scale enterprises allows a quick adjustment of wages to new conditions on labor and goods markets. Of all manufacturing industries, only textiles and clothing, i.e. industries at the bottom of the wage scale, provide relatively stable employment for migrant workers. In night shifts male migrant workers, mostly of Turkish origin, constitute the core work force, while migrant women are an important part of day shift

workers. This industry experiences severe competitive pressure and owes its survival in Austria to migrant labor. But as wage differentials remained fairly restrained in Austria, given the highest regulatory density of employment via collective bargaining in Europe, covering 98% of workers, income inequality remains low. According to the OECD[2], the Gini coefficient was one of the lowest in the EU and with 0.28 equal to the one in Sweden in 2016. In Germany, in contrast, only 56% of workers are covered by collective wage agreements, which allowed Germany to develop a second labor market characterized by low wages and precarious working conditions. (Kampelmann et al., 2013:17; Knuth, 2014) The development of a low-wage sector resulted from labor market reforms aiming at the reduction of unemployment. The reforms were initiated with the "Hartz reforms" in 2002, following the example of the Anglo-Saxon model, involving less generous benefit systems and lower levels of protection against dismissal. Temporary work became an important instrument to help long-term unemployed to gain a first foothold in the jobs market – but only a limited number of temporary workers eventually get permanent jobs. Also, the introduction of mini jobs, above all in cost-sensitive areas of the services sector, provided flexible and cheap part-time work. But again, people on mini jobs have little chance of promotion and are usually paid low hourly rates. This goes to show that not only firm size and industry have an influence on the social mobility of low-skilled workers but also labor market regulations. The jobs carrying limited opportunities for upward mobility are in food services, personal care services, sales, and cleaning.

All that said, it seems that most EU countries have "migrant" jobs which tend to persist as natives do not seem to want to take these jobs even if it means to remain unemployed or out of the labor force.

### Further education and training foster social mobility of low-skilled workers

The complexity of jobs is increasing across all industries. This trend is driven by innovations in information and communication technologies and other skill-biased technological change, as well as workplace reorganization. As a result, employment opportunities of low-skilled migrants, as well as natives, are crucially dependent upon their chances to access ways of up-, re- and multi-skilling.

[2] See https://data.oecd.org/inequality/income-inequality.htm

Given the importance of skills formation and upgrading in an era of technological change and globalization, the European Union focused on life-long-learning in the Lisbon agenda of 2000-2010, and further in the Europe 2020 strategy currently in place. The aim of the EU-employment strategy is to overcome the slow productivity and economic growth performance of the EU without compromising inclusive welfare systems, social cohesion and a healthy natural environment. This is to be achieved by the promotion of innovation, a major pillar of which being the development of a “learning economy". The Europe 2020 strategy and its application are monitored by the European Commission within the framework of the so called “European Semester” on the basis of indicators in the various target policy fields. The European semester allows EU countries to discuss their reform plans and monitor progress at specific times throughout the year. (EC, 2016) In order to reach the targets postulated in the education field, EU-MS are beginning to invest in the skills of low-skilled workers including low-skilled migrants, to combat labor scarcities flowing from workforce ageing and to reduce the potential negative employment effects of digitalization on this skill group.

In order to promote the implementation of national policies and measures to reach the national targets, the EU co-funds measures and projects through a system of "shared management"; measures to improve employment and education opportunities are largely co-funded by the European Social Fund (ESF).

To be able to cope in an environment in which technologies, which digitize everything that can be digitized, are affecting everyday life, the acquisition of information-processing skills is a must, in order not to become marginalised. The extent to which low-skilled workers may gain competencies in information processing varies across EU-MS because of differences in industry structure and technology employed, as well as the quality of and access to lifelong learning, in particular on the job training and active labour market policy measures. A major policy challenge in this respect is that on-the-job training and upskilling tend to be offered to employees with higher educational attainment levels rather than to low-skilled workers – as “learning begets learning” (OECD, 2014:1), and the effectiveness of further education and training by the labour market service tends to be lower for the low-skilled.

Still another challenge is the depreciation of skills with age. (Paccagnella, 2017) According to the International Assessment of Adult Competencies (PIAAC) of the OECD (OECD, 2016:79) “*age-related differences in literacy and numeracy skills are even more*

*pronounced when it comes to proficiency in problem solving in technology-rich environments*. *Given that the widespread use of ICTs is a relatively recent phenomenon, older adults were clearly in a position of relative disadvantage compared to younger adults."* Another handicap still is migration, as language proficiency is an important facilitator of lifelong learning. (OECD, 2016:68)

Skills, however, do not only affect earnings and employment opportunities but have wider implications. They promote health and well-being in addition to boosting the self-esteem and self-confidence of the individuals concerned. In addition, adults with lower skills are less likely than persons with better literacy and numeracy skills to actively participate in political processes; in consequence, upskilling the low-skilled does not only make economic sense but also political sense, as it may stabilize democratic systems. (OECD, 2016) Accordingly, upskilling and reskilling are of social value and represent a public good, involving the cooperation between public institutions, social partners, civil society and the beneficiaries; upskilling is a means of empowerment of low-skilled workers to better cope in the labor market and the society.

### The European Skills Index

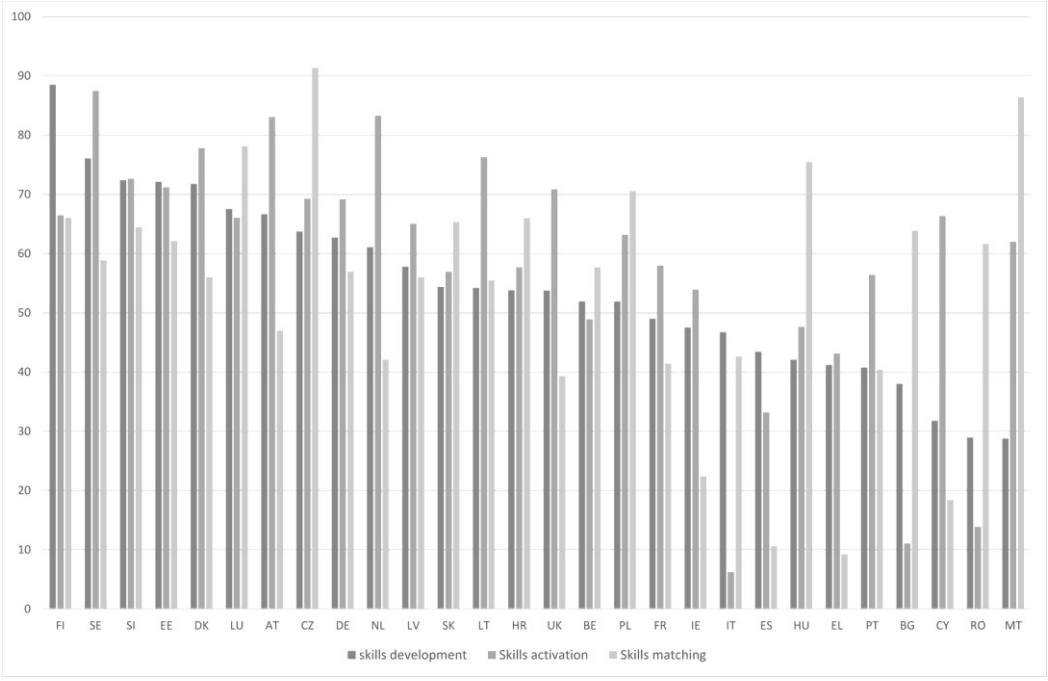
In order to better monitor the achievements of the various EU-MS in skills formation and skills matching, the European Skills Index (ESI) has been developed (Livanos, 2018).[3] The Index builds on the various elements of skills systems, which go beyond compulsory education and include various forms of formal and informal training and education, further (continuing) and higher education including academic and vocational education and training (VET). Also taken into account are ways of lifelong learning (LLL), including on-the-job-training, as well as activation measures which promote the labor force participation of specific groups of workers.

The concept of the ESI is based on human capital theory according to which the individual as well as society profit from investment in skills. Accordingly, various dimensions of skills are taken into account, differentiating between those that drive productivity, as distinct from those promoting social inclusion and employment. Therefore, a complex set of indicators is taken into account: those informing about skills development and activation of potential workers on the one side and those addressing

[3] For more see https://www.cedefop.europa.eu/en/publications-and-resources/data-visualisations/european-skills-index/skills-development

the matching process between skills supplied by workers and required by firms on the other. They are compiled under three pillars as can be taken from Figure 6. The three indicator-sets comprise all in all 15 separate indicators. Interrelationships between the various indicators are possible, which is a common feature of composite indices. The 2018 ESI draws on annual data between 2014 and 2016; the individual scores are calculated at the indicator level. The index is based on the establishment of a 'best case' for every indicator (=100), and the relative position of a country is represented by the distance to the frontier.

*Figure 6: European Skills Index 2018 (distance of pillar from defined ideal of 100)*




Source: Cedefop

In the pillar focusing on the development of skills we can see in Figure that Finland scores highest with 89 points, followed by Sweden (76), Slovenia/Estonia/Denmark (72), Luxembourg (68) and Austria (67). At the lower end of the spectrum are the Southern European countries, together with some CEECs (Romania, Bulgaria and Hungary), but also France (49) and Ireland (48). The second pillar with its focus on the activation of

persons who are out of the workforce puts Sweden in the front row (87), closely followed by the Netherlands and Austria (83). At the lower end of the scale of the second pillar are basically the same countries as in the skills development pillar. The EU-MS aiming at speedy technological and structural change are in the forefront of skills development, as change affords a continuous adaptation of worker skills to the new needs. In addition, rapid change implies frequent phases of unemployment over the lifetime; to avoid long-term unemployment and social exclusion it is important to have activation measures in place to reduce the probability of deskilling and frustration.

As far as the third pillar is concerned, with its focus on matching skills (labor supply) with employer needs ((labor demand) a totally different set of countries take the lead, namely the Czech Republic (91), Malta (86), Luxembourg (78), Hungary (75) and Poland (71). At the lower end are Southern European countries, but also Ireland (22) and the UK (39).

The dispersion of ranks at the level of pillars indicates that not one EU-MS is outperforming other countries in all dimensions of skills adaptation to the needs of the labor market on the one hand and personal aspirations on the other. This implies that there is room to learn from best practice examples of institutional performance in the one or other country and policy area.

### Participation in education and training

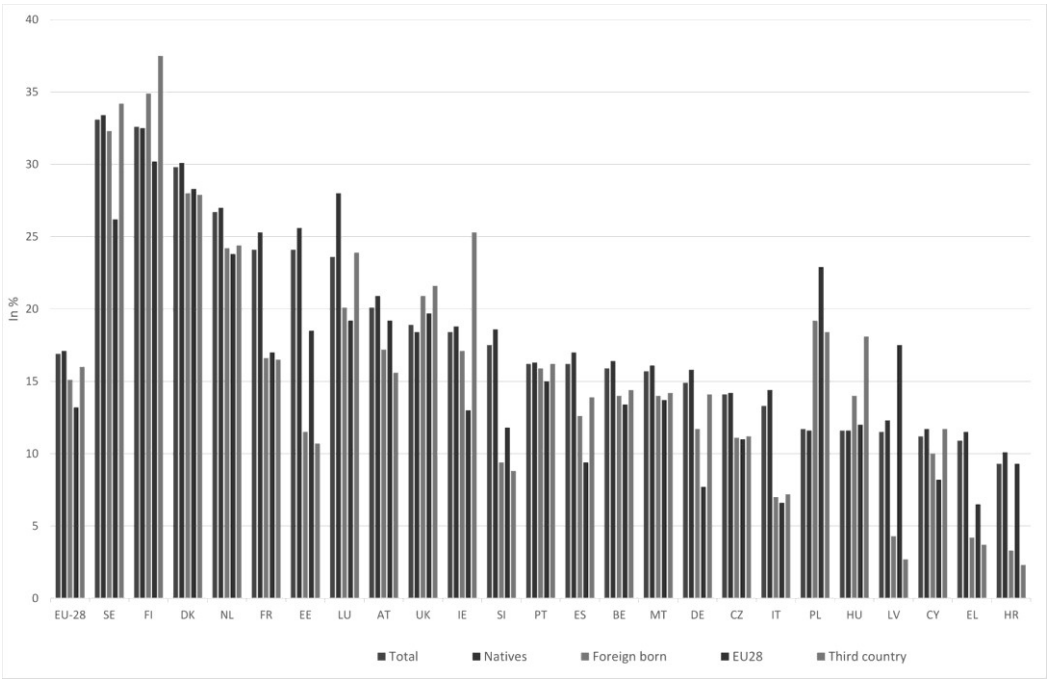
The high score of Nordic countries in skills development shows up in significant proportions of the workforce in education and training. It can be taken from Figure that the EU-MS in the North have the largest proportions of their adult populations engaged in learning and training in the EU, while Southern European countries, some CEECs as well as Germany are at the lower end of participation rates.

In the EU28 in 2018, 17% of the workforce aged 18-64 were engaged in education and training measures in the last four weeks before the survey week of the LFS. The participation rate had a spread of 24 percentage points, with a high of 33% in Sweden and a low of 9% in Croatia.

The participation rates differed only slightly between native and foreign born (17% vs 15%) in the EU28 on average; a further differentiation of foreign-born shows that third country citizens participated to a larger extent in education and training than mobile EU citizens (16% vs 13%). There are, however, large differences between EU-MS. Workers in the Nordic countries, some Western EU-MS (Netherlands and Luxembourg) as well as

the UK and Ireland are amongst the top third of EU-MS in terms of participation in education and training with small differences by country/ region of birth. Austria also belongs to the top group in terms of participation in education and training, but with significant differences between natives and EU-migrants on the one hand and third country migrants on the other.

*Figure 7: Participation rate in education and training (18-64-year olds) by country/region of birth: 2018*




Source: Eurostat

It may not come as a surprise that a fairly small proportion of adults is participating in further education and training in Germany (15%) with small differences between native and foreign born. This is due to the policy preference of Germany for workfare as mentioned above, i.e., employment measures (often subsidized) rather than education and training, resulting in one of the highest proportions of workers in low-wage jobs in Western Europe (2017: 25% or 9 million workers), many of them migrants. (Lukas, 2011; Grabka & Schröder, 2019)

The discrepancy in the participation rate in education and training between EU-MS is largely a consequence of differing welfare models, with the Nordic countries focusing on the adaptation of skills of workers in contrast to Germany with its priority given to workfare, Southern European countries with large secondary labor markets and residual welfare models and CEECs with an already highly skilled workforce, as documented above.

### Digitalization and the low-skilled – the way ahead

In our era of digitalization, revolutionary changes in production with ruptures in production processes and workflows take place. The technological developments are marked by rapidly increasing efficiency and performance of hardware, new communication technology – with 5G, the fifth-generation cellular network technology - and breakthroughs in artificial intelligence (AI) with deep learning enabling machines to 'learn from experience'. Above all, AI developments will give rise to a wave of automation which will trigger economic and social changes only comparable to earlier industrial revolutions. Certain jobs are going to become obsolete, 'bad' ones as well as 'good' ones, while new ones are being created. Overall, there will be no decline in work, if Austria manages to stay connected to a digitalized global world and if the education and training system is able to provide the skills needed. (Biffl, 2018b)

The dystopian view of a world without work will not become reality as workers will interact with robots, algorithms and AI in their work and everyday life; in addition, children will continue to attend schools, people will need health and care services and professionals as well as low-skilled workers will provide those services. But there will be challenges not only in the area of up- respectively re-skilling of workers made redundant but also in terms of funding education, health and care services out of tax revenues; the latter may run low as governments are grappling for new ways of securing taxes from cross-border online providers of goods and services and from work organized via various types of platforms (platform economy)

The recent OECD-Report (2019a) provides and overview of the tax challenges of the digitalization of the economy with traditional tax bases eroding as profits are shifting to online goods and service providers abroad. The effective collection of VAT/GST (value added tax/goods and services tax) on cross-border supplies in a digitalized economy is not resolved, as it pertains to taxing rights negotiated and captured in international

taxation regimes. The challenge will be even greater as digitalized business with specific characteristics, in particular heavy reliance on intangible assets and user participation, will become more important.

All that said, mechanisms will have to be devised, which ensure sufficient tax revenues to provide adequate supplies of services, and thus jobs, for a decent living. Accordingly, new mechanisms of social protection will evolve, whereby traditional interest groups are defending established rights and new groups of workers are demanding different arrangements commensurate with their situation. We see therefore in Europe the beginnings of a new political discourse over a welfare reform, with 'basic income' models as the punch line. Switzerland has asked the population in a referendum if they were in favor of a 'basic income' model in June 2016[4], and Finland has piloted a basic income experiment in January 2017 for two years, but discontinued funding the scheme in 2019. Instead, it made the receipt of benefits contingent on taking up training.

Austria is among the EU-MS with a particularly high priority given to digitalization in the business and public sector. The manufacturing production union (ProGe) of Austria was among the first to establish a platform in 2014: "Industry 4.0"[5], a term used in Austria and Germany for the fourth industrial revolution, following the third, the digital revolution, with computer and information technology gaining almost universal application. The fourth and current revolution, in contrast, is associated with potentially disruptive technologies, with mobile robotics, the internet of things, virtual reality, artificial intelligence and machine learning. The industry platform brings together business, science and research of various disciplines, political actors and interest groups (workers, employers, other NGOs) to accompany and evaluate the process of technological transformation and man-machine interactions. As it happens, more and more legal questions arise, be it relative to publicly available information versus privately owned one, or relative to international cooperation in the area of consumer protection and e-commerce. The unions have a special eye on working conditions of crowd-workers as employer protection legislation does not yet cover this new group of workers.

For Austria, Peneder et al. (2016) and Dinges et al. (2017) have estimated the potential job destruction flowing from automation using the same methodology as Frey und

[4] https://www.grundeinkommen.ch/

[5] https://www.proge.at/cms/P01/P01_5.4.11/ueber-uns/partner-kooperationen/industrie-4-0

Osborne (2013) for the USA; they came up with 50% of jobs potentially in danger of getting lost, which is somewhat more than the 47% estimated for USA and Europe (Bowles, 2014). This is due to the above-average share of manufacturing industries in Austria's GDP and workforce. But with digitalization not the whole occupational profile becomes obsolete but only some aspects. Accordingly, if we differentiate occupations by tasks and to what extent they follow routines which are easily automated, the job losses decline to some 25% of jobs involving largely cognitive routine tasks and 12% of all jobs with largely manual routine tasks. And the 35% of employees in occupations performing largely analytic and interactive tasks and the 27% in manual non-routine tasks will most probably be spared from job loss. But it is important to remember that artificial intelligence is not a singular technology but applicable in various tasks. This makes it hard to judge the degree and composition of job losses in an era of digitalization and progressive implementation of AI.

In the medium to long run it is hard to say how many occupations and tasks will be affected and what implications it carries for the various skill levels. It can be that only a small section of highly skilled workers will profit from technological change (superstar-biased technological change) leading to a polarization of the income and wealth distribution, as the medium skilled will lose out together with the low-skilled. Such a situation may trigger dissatisfaction and conflict in the society. We see already that over the past two decades, real median wage growth has decoupled from labor productivity growth in most EU-MS as well as the USA, suggesting that productivity gains no longer automatically translate into wage gains for all workers. (OECD, 2019b) This is why the Obama report sees a need for ‚aggressive policy action' (EOP, 2016:1) to help the losers get back on track, in the main by providing education and training. But this implies that one looks at the occupational profiles regularly and manages the transition process by providing up- and re-skilling such that mass unemployment does not arise.

In Austria the best vehicle to upgrade skills at the lower and medium skill level is the apprenticeship system, as it combines on the job work in the firm with theoretical up-skilling in the college of further education. With changing patterns of work the number of apprenticeship occupations are expanding as new occupational profiles are developed in response to employer needs; what we see is a decline in manufacturing skills and a move towards natural science and IT-skills. ICT-skills are being put on a broader base, to offer a wider spectrum of job opportunities, but at the same time a deepening of

knowledge in one or the other IT-field is taking place, as job-profiles become more differentiated and specialized, e.g., as App-developers, programmers, system-administrators, IT-application consulters and the like. Employers are not only providing apprenticeship posts for youth but increasingly also for adults, particularly for promising low-skilled workers already in their company. This is one way for the firm to raise the skill level of its workforce. The occupational profile of an apprenticeship is divided into modules, whereby the workers can complete one module after the other in the colleges of further education and continue to work in the company. When passing the final exam, the worker is a professional who automatically moves into a higher collective wage carrying also more stable employment. The concept of modularizing an apprenticeship, meaning that one may complete one module after another at one's own speed, is highly successful. Continuing apprenticeship education for low-skilled adults was developed in Upper Austria, an industrial province, in 2011. Until today almost all provinces in Austria have adopted this system, named "Du kannst Was"[6] in most provinces, in Vienna it is called "Meine Chance – Ich kann das!"[7] Also unemployed low-skilled may access this form of further education, at no cost to the person, as the Labor Market Service (LMS) or other public institutions cover the costs. The great advantage of this program of further education is that it builds on skills and competences obtained formally as well as informally. The competences are tested and further education is added on, depending on the individual needs. If a person does not have any prior practical skills in the profession they want to obtain or to which they want to transfer, the LMS offers the required skills in intensive professional courses lasting 6 months. The examples sofar are promising, also for older workers and migrants with low-educational attainment levels.

All that said we have to have an eye on the transition to a digitalized labor market and identify the winners and losers in order to respond quickly with educational support to compensate for their income and status loss. This will be crucial for avoiding a polarization of income which may jeopardize social cohesion and political stability.

[6] http://www.dukannstwas.at/

[7] https://www.jaw.at/de/dienstleistungen/ausbildung/73/Lehrabschluss-nachholen

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# Labor Market Integration Policies in Europe: Challenges and Promising Approaches

Christiane Kuptsch

## The context for the design of European integration policies

In the last 20-30 years, the European Union has experienced major migration flows, both within its borders and from outside and there is also a considerable stock of migrants in Europe. The United Nations Department of Economic and Social Affairs estimated that in comparison with other world regions, Europe hosted the largest number of international migrants in 2019 (82 million), followed by Northern America (59 million) and Northern Africa and Western Asia (49 million) (UNDESA, 2019).

In line with "welcome-the-skilled-and-rotate-the-unskilled-policies" (Kuptsch & Martin, 2011) which are nowadays pursued almost everywhere, whether in developed or developing countries, the public discourse by European policy makers has been to underline that the European Union (EU) attempts to attract global talent[1] and to keep out low-skilled workers or to offer them seasonal or temporary work at the most. This policy has been stated with varying degrees of firmness and clarity and not everywhere as openly as in the United Kingdom, following Brexit. In February 2020, UK Home Secretary Priti Patel clearly said in a BBC television interview that the government intended to "encourage people with the right talent" and "reduce the levels of people coming to the UK with low skills" (BBC, 2020). It is considered that highly skilled migrants "contribute" more to the economy and to society – they also need less protection and less attention as they can "fend for themselves". Public spending on integration can be quite limited under these circumstances.

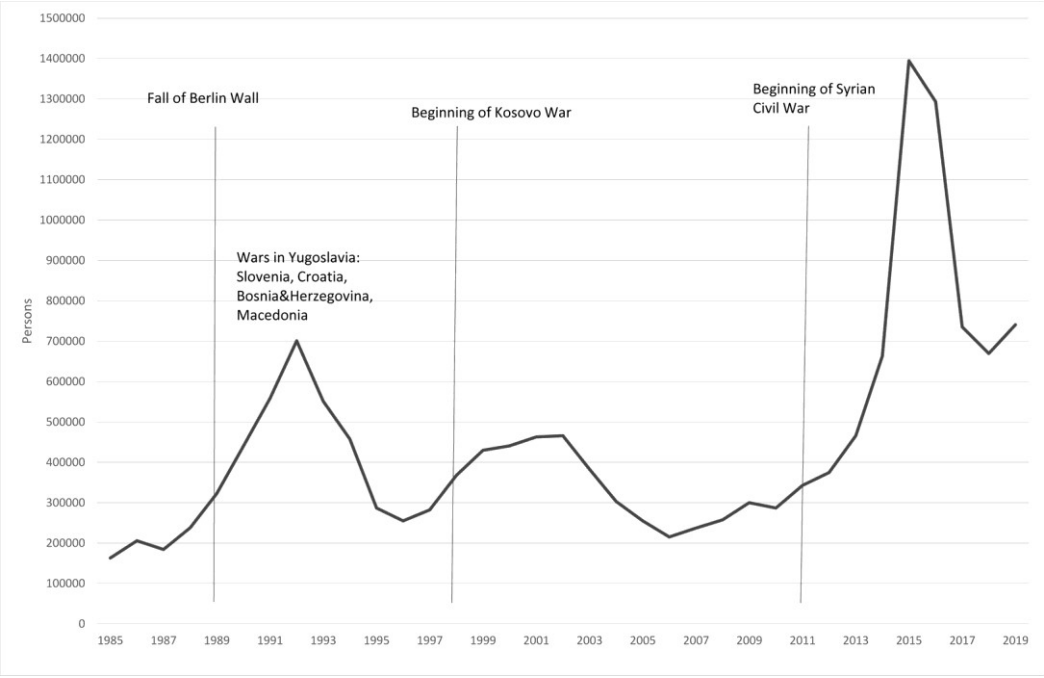
However, in reality, people with very diverse skill sets have arrived in European destination countries, including numerous new immigrants with little education and training. Some new arrivals came to Europe with job offers but many did not. Other than in "traditional immigration countries", such as Australia, Canada, New Zealand or the

[1] Including via the introduction in 2009 of the 'Blue Card', an EU-wide work permit that offers favorable family reunification rules and encourages geographic mobility within the EU, between different Member States, for Blue Card holders, see Council Directive 2009/50/EC.

United States, where labor market considerations play a great role in the selection of immigrants, a majority of immigrants in Europe were not selected for their skills but came through family reunification, humanitarian channels, or free movement.

The following graph is illustrative of the scale of migration flows to Europe via humanitarian channels since 1985. The inflow of asylum seekers in that period was marked by the Yugoslav Wars in the 1990s on the one hand and the Syrian Civil War since 2011 on the other. The number of asylum seekers peaked in 2015 with 1.4 million but declined thereafter to 741,000 in 2019, a level somewhat above the peak of 1992 in the midst of the Yugoslavian conflicts.

*Figure 10: Number of asylum seekers in Europe (EU28 and EFTA countries): 1985-2019*




Source: Eurostat and Pew Research Center, 2016.

It goes without saying that not all of the asylum seekers who have arrived in Europe are highly-skilled.[2] Similarly, many of the family members accompanying or joining labor

[2] See for example in: "Integration of refugees in Austria, Germany and Sweden: Comparative Analysis", European Parliament, 2018.

migrants and recognized refugees are not highly skilled. Especially when migrants and refugees come from cultural contexts where women are expected to stay at home and not participate in the labor market, the accompanying female family members have often not enjoyed much education and training. Flows based on free movement provisions comprise all skill levels.

For the most part, the public discourse of "priority to global talent" has therefore not corresponded to the realities of immigration in Europe, and many people with undeniable integration needs were among the newcomers. With the onset in 2014-15 of the so-called European "migration crisis" or "refugee crisis" which brought large numbers of asylum seekers to Europe, in particular to Austria, Germany and Sweden, the realities could no longer be denied. Yet the German government even tried to uphold the discourse around talent in the face of large numbers of non-selected migrants entering the country in 2014-15, when politicians underscored the benefits to the German economy of the arrival of highly qualified medical doctors, engineers and other technical specialists from Syria in their speeches. Soon, though, it transpired that not all new arrivals could be classified as highly skilled.

Arguably, the "refugee crisis" gave a boost to labor market integration policies in Europe. From 2014, the European Commission organized numerous conferences on this theme and funds were set aside for studies that focussed on integration policies in an environment characterized by large inflows of people in short time-spans, in attempting to identify efficient practices under those conditions.[3]

Clearly, there was eagerness to avoid mistakes of the past, when guest worker programmes of the 1950s and 1960s had started from the premise that people would not stay, so that not much thought had been given to their integration. Consensus was also established at the European level that the first few years after arrival are particularly important to immigrants' long-term prospects.

Indeed, research undertaken by the International Labour Organization (ILO) and the Migration Policy Institute (MPI) confirms that the failure of new immigrants to enter the labor market early, in occupations consistent with their skills, and in sectors that offer opportunities for upward job mobility, can have a 'scarring effect' that persists

[3] See for example the European Website on Integration (EWSI) – Migrant Integration Information and good practices, https://ec.europa.eu/migrant-integration/home

throughout a worker's career. Investments to support timely labor-market entry and to put immigrants on a path toward upward occupational mobility therefore promise to bring long-term benefits (Benton et al., 2014b).

Between 2012 and 2014, the ILO and MPI carried out a research project titled 'The Labour Market Integration of New Immigrants in Europe: Analysis and Policy Evaluation'. Some of the following sections of this paper will draw on the analysis and results of this research, as many of the project's general findings about policy remain valid. The project followed a three-phase analytical approach, combining quantitative and qualitative analysis with expert consultations. The core of the research comprised detailed case studies of both labor-market integration trajectories and labor-market integration policy systems in six EU countries: the Czech Republic, France, Germany, Spain, Sweden, and the United Kingdom. The case studies were selected to provide a spread of different demographic, economic and social contexts. [4]

## Obstacles to new immigrants' employment and upward mobility

Newly arrived migrants and refugees often face multiple hurdles when they try to find a job, and in particular one commensurate with their training and aspirations. These obstacles include insufficient skills and experience; unrecognized qualifications; difficulties navigating host-country labor markets; and formal and informal obstacles to employment. There are special barriers for refugees, including unpreparedness for the move, trauma, and long travels with de-skilling effects, etc. Broader economic conditions obviously also play a role: how tight is the labor market of the host country, and in what numbers do new migrants or refugees arrive, i.e., to what extent are relevant host country institutions prepared to provide support?

*Lack of skills and experience.* Particularly in countries where few low-skilled jobs are available, language barriers, low levels of education and a lack of local work experience put many jobs out of reach for migrants and refugees. Even jobs usually considered as relatively low skilled (such as those of waiters and janitors) can require a considerable level of language proficiency, literacy, and IT skills nowadays (e.g., to take orders or understand the instructions on cleaning products).

[4] For more information please see: http://www.ilo.org/global/topics/labour-migration/projects/WCMS_357742/lang--en/index.htm

*Difficulties navigating local labor markets*. In comparison to natives, immigrants frequently have to rely on social networks that are less likely to offer access to middle- and high-skilled work (Sumption, 2009). They may also find it challenging to present themselves to employers in a new cultural context, relying on different norms about the appropriate way to display their skills and competences. In the workplace, language barriers can make it hard for workers to develop "soft skills" such as understanding behavioral norms and communicating effectively, reducing their opportunities for promotion.

*Formal or informal obstacles to employment*. Newcomers may face direct and indirect forms of discrimination, ranging from employers ignoring applications of candidates with "foreign sounding" names to expectations that candidates will fit a particular profile considered as "normal", which corresponds to workers trained domestically. Individual barriers to finding work include complex psychological or medical needs as they are often found among refugees; family responsibilities, especially for women coming from countries with a low level of female labor market participation; and legal restrictions on early labor-market entry for certain groups of people, such as asylum seekers.[5]

### Skills recognition as a prerequisite to labor market integration

It is often argued that low-skilled work can provide valuable host-country work experience that ultimately offers migrants an opportunity to move into a better job. However, it can also prove "sticky," signalling to employers that migrants are not qualified for other tasks. The evidence on the conditions under which people are able to use low-skilled work as a stepping-stone to better employment is mixed. According to empirical evidence from several countries, low-skilled work provides fewer opportunities to benefit from (employer-led) training. Those in low-wage, low-skilled jobs may find it harder to finance further education or training outside of work, while people working shifts that vary may struggle to attend classes regularly. In general, migrants and refugees with higher education levels are more likely to progress out of low-skilled work over time, although evidence suggests they continue to be over-represented in jobs that require few skills even after a decade of residence (Benton et al., 2014a).

[5] It is noteworthy that in the wake of the "refugee crisis" several European countries reduced the waiting period for asylum seekers before they could take up a job.

This shows how important it is for migrants and refugees to get their qualifications recognized: the recognition of qualifications is key for foreign workers' occupational mobility. It is also widely accepted now that, in the best of all worlds, any skills assessment necessary for the recognition should take place shortly after arrival and that employers be involved in this assessment, so that the certificates delivered are meaningful in job application procedures and permit migrants to signal effectively how their skills and experience might meet employers' needs.

### Innovation and creativity in Germany[6]

Germany has developed good practices in this area. The country adopted a Law on the Assessment of Equivalence of Vocational Qualifications (*Gesetz über die Feststellung der Gleichwertigkeit von Berufsqualifikationen, Berufsqualifikationsfeststellungsgesetz* - BQFG), for short 'Recognition Act', which has been in force since April 2012. The purpose of the Recognition Act is a better use in the German labor market of qualifications acquired abroad to obtain the nearest possible match of qualifications and employment ("*qualifikationsnahe Beschäftigung*", see §1 BQFG).

A pre-existing project-based network, the IQ network (*Integration durch Qualifizierung* - Integration via Qualification, comprising a multitude of actors at federal, regional, and local levels), was transformed and extended specifically with the idea of creating a support structure for the implementation of the Recognition Act. The IQ network, established in 2005 with support by the European Social Fund (ESF) and Federal funds, initially focussed on increasing competencies of long-standing migrants in Germany and people with a so-called "migration background". A study on brain waste by one of the network members raised attention to the lack of recognition of qualifications as one of the main reasons why people did not make it into the labor market. Meanwhile the 'IQ network' has been re-labelled into 'IQ support programme' and has become a central labor market policy instrument of the Federal Government to implement the National Action Plan "Integration" (NAP). The main tasks of the IQ support programme can be summarized as follows:

[6] This section is based on interviews with representatives of the German Chambers of Industry and Commerce (DIHK); the Chamber of Industry and Commerce (IHK) Berlin; the Chamber of Crafts (HWK) Berlin; the network Integration through Qualification (IQ Network) Berlin; and representatives from the Federal Ministry of Labor and Social Affairs. The interviews were carried out between 30 June and 2 July 2014.

- creation of regional support structures for the Recognition Act, covering the entire Federal Republic;
- support to the authorities which are officially responsible for labor market integration, in particular Labor Offices (*Agenturen für Arbeit & Job Centers*) but also Chambers of Crafts and Chambers of Industry and Commerce, and other regional economic players;
- creation of synergies between various integration measures, e.g., between general integration courses, job-related language qualifications and vocational training.

The procedures around recognition in Germany are highly complex and reflect the reality of the equally complex German education and training system, which involves many actors and is rather decentralized.

A first distinction has to be made between regulated and non-regulated professions. In 'regulated professions' only persons possessing a diploma / title required for a given job are allowed to take up this job and carry out this profession. Examples are medical doctors, pharmacists, architects and lawyers. In 'non-regulated professions' an employer may hire a worker independent of a diploma / title. However, titles still play a great role even in this segment of the labor market, as they have a signalling effect. Moreover, certain titles also give rise to rights, such as the title of "master" of a profession ("*Meistertitel*"). A master has the right to train apprentices, for example.

A multitude of different actors is responsible for recognition in Germany, namely those who organize education and training and determine rights and obligations under the various professions. There are the Chambers of Industry and Commerce; the Chambers of Crafts; the Chambers of Agriculture and so forth, and where professions are not organized around Chambers, the Federal State (= *Bundesland*) designates the responsible authority. Federal States can also be responsible themselves, as is the case for educators and teachers. For public employees at federal level, the relevant highest federal authority is responsible.

The different responsible authorities have organized "their" recognition procedures in different ways. Suffice it here to illustrate this point with the procedures used by the Chambers of Industry and Commerce and the Chambers of Crafts. For occupations under the responsibility of the Chambers of Industry and Commerce, there is a centralized recognition procedure, the IHK FOSA (Formal Skills Approval). IHK FOSA examines

applications for recognition with a view to determining to what extent the foreign qualifications can be considered equivalent to corresponding German qualifications[7]. The premises of IHK FOSA are in Nuremberg but in practice, applicants do not deal immediately with IHK FOSA. Instead, they usually get the help of local Chambers of Industry and Commerce in preparing the files they later submit to IHK FOSA. Employers may not trust foreign qualifications and experience, and it is unclear to what extent formal evaluation services allay these concerns. Therefore, some of the local Chambers make publicity among Chamber members about the value of the equivalences delivered by IHK FOSA.

Chambers of Crafts, on the other hand, proceed to decentralized recognition and have instituted "Lead Chambers" for particular countries. Thus, the Berlin Chamber of Crafts takes the lead for Turkey and builds up central information about education and training in Turkey and the job content of Turkish trades and crafts. To have this knowledge is important in a recognition procedure, because the content of the work/training/apprenticeship leading to the foreign title is compared to German job contents. One difficulty in this context is to determine with which German job the comparison is to be made.

It is noteworthy that in German recognition processes professional experience and further education are taken into account[8] and that all of the recognition procedures are highly individualized, no matter which institution carries them out. Experts on and practitioners of recognition note that access to the labor market is easiest and barriers to occupational mobility are lowest in jobs which are organized in the migrants' countries of origin in similar ways as in Germany. This is often the case in core crafts around food production (bakers, butchers, etc.) as well as in facility management and construction, for example.

A study by Brücker et al. (2018) shows considerable employment and wage gains from recognition, namely a 24.5 percentage point higher employment rate and a 19.8 percent higher hourly wage three years after the full recognition of immigrants' foreign qualifications. Brücker et al. further provide evidence that "occupational recognition indeed induces workers to enter regulated occupations, both directly out of non-

[7] See also http://www.ihk-fosa.de/en/

[8] On the importance of this point, please see Biffl 2019.

employment and, with some delay, through horizontal movements of employed workers from unregulated into regulated occupations." (p. 30)

## Policy responses to assist new entrants' access to the labor market and to 'better' jobs

### Targeted integration policies vs. mainstream measures

As revealed by the ILO-MPI analysis, the diverse set of policy challenges (from brain waste for highly educated people to integrating immigrants with little education and insufficient skills) has led to equally diverse policy responses in European countries. Some countries rely more on targeted integration policies, such as centralized introduction programmes; others strengthen mainstream policies, such as public employment services and vocational training systems. Use of both types of policies in parallel is relatively common.

Targeted programmes have the advantage of allowing policy makers to design measures tailored to new arrivals' specific needs, including orientation and settlement guidance. Particularly asylum seekers and refugees who have undergone traumatic experiences may be in dire need of services that take account of their situation. However, targeted integration programmes are often small-scale and focus on specific entrants. Others with similar needs may not be covered. European Union nationals, for example, are rarely the beneficiaries of integration policies in other EU Member States. To give but one example: A Ukrainian newcomer to the Czech Republic will have access to language courses, a Spaniard will not, although the Ukrainian language is far more similar to Czech than Spanish is to Czech.

There is also the option for policy makers to boost their 'mainstream policies' and provide more inclusive services to a diverse population at a greater scale. Indeed, as Collet and Petrovic (2014) point out, reaching a larger population appears to be the rationale behind the mainstreaming trend that gains ground across Europe. Policies that target disadvantaged areas instead of disadvantaged groups are being tested more and more frequently.

An example from the regional level is the Swedish project 'Let's Colour Gothenburg' which offers work to unemployed youths while aiming to unite and beautify the city[9]. Participating youths are being trained to become professional painters. The project recruits youth from districts of Gothenburg where the unemployment rate is particularly high. As part of their tasks, the apprentices get to revive Gothenburg's suburbs with paint and colours. The composition of teams is deliberately inclusive: newly arrived people, long-standing Gothenburgers, nationals, foreigners, women, and men work hand-in-hand.

Obviously, area-based approaches do not eliminate the problem of certain subgroups falling through the cracks. For example, they may not meet the needs of newcomers who live outside of disadvantaged neighbourhoods. Mainstream policies also require careful coordination among all organizations responsible for immigrant integration. To overcome organizational challenges, countries experiment with collective accountability under national integration plans (e.g., Czech Republic); with increased cooperation among local authorities to pool resources (e.g., Sweden); and with multilevel cooperation, including with the social partners (e.g., Germany). In some countries, mentors or guides help new arrivals navigate the system. One criticism directed at mainstreaming is that this approach can be used as a justification to cut targeted programmes without really investing in the new arrivals' better access to mainstream services.[10]

Yet, mainstream policies might be particularly appropriate in increasingly diverse societies, so as to not single out migrants and not perpetuate Otherness and boundaries between groups (Kuptsch & Mieres, forthcoming 2021).

### Employment Services

Public Employment Services (PES) hold the promise of overcoming new arrivals' limited personal and professional networks. They can also suggest ways for jobseekers to upgrade their skills or retrain, if there is no local demand for the migrants' skills.

[9] This project was presented at an International Conference on Immigration and Labour Market Integration held in Gothenburg on 13 and 14 November 2017. Detailed information about this project is available at: https://sattfargpa.se/ (in Swedish).

[10] Interviews of ILO and MPI with experts from Government, the social partners, and NGOs in the six case study countries of the project 'The Labour Market Integration of New Immigrants in Europe: Analysis and Policy Evaluation'.

Indeed, PES could be the ideal institution for connecting jobseekers with limited networks to employers and for providing advice on career development. The European Commission has definitely acknowledged the role that PES can play in increasing labor market participation and developing a skilled workforce (European Commission, 2010). However, this potential has often not been realized.

Employment services are often underequipped to counsel jobseekers, whether immigrants or natives. Particularly since the economic and financial crisis of 2008-09 cost-saving measures were adopted in several European countries which also concerned PES. Even before, there had been a trend towards a greater emphasis on effectiveness and performance management, coupled with a desire to make work pay and reduce benefit costs, which led a number of countries to introduce performance targets, sweeping reforms to improve incentives to work, and subcontracting to private companies.

*Barriers*

In the context of public spending cuts, one often finds targeted spending on the "worst-off", for example the long-term unemployed; newcomers do not qualify for support under those circumstances. In some countries, the responsibility of PES to administer benefits prevents advisors from considering long-term career development - especially if they are under pressure to get people into work as quickly as possible. In addition, access to any employment service may be subject to having contributed to the social security system. Sometimes language proficiency is required before access to PES is possible. It is difficult for newcomers to find pathways among services – where to register first, etc. New arrivals may not know what public entity has to give what support at what point in time: is the municipality responsible for language training and the PES for employment matters? And some migrants face multiple search processes: employment, housing, childcare, etc.

*Inadequate systems for identifying and addressing needs*

Many PESs lack a systematic approach for identifying the needs of language learners or people with foreign qualifications. Skills recognition systems have not generally become embedded into PESs.[11] There may also be divergent interests among different

[11] The ILO has developed a Guide for employment services providers on how to facilitate the recognition of skills of migrant workers. This guide draws on good practices and interesting initiatives from around the globe to demonstrate ways employment service providers can make better use of Recognition of Prior

administrative units which are responsible for different social budgets and incentives to "pass the buck". Where PESs are driven by targets, advisors face incentives to place people as rapidly as possible, including into jobs that require less skills than the newcomers possess. Advisors also report collusion in this respect: some migrants prefer a low-skilled job immediately to waiting for a better job offer or low pay in additional training that would help them toward a better job eventually. Moreover, the challenge of advising a diverse and mobile population with distinct needs has added a layer of complexity to an already difficult job that requires diverse competences — from an understanding of the local economy to the ability to counsel vulnerable individuals. These demands are not always reflected in the qualifications and training of employment counsellors. The structure of employment services affects the ease with which advisors (and, in some cases, private-sector contractors advising jobseekers) can serve particular groups of clients. Ensuring that services are sufficiently tailored and that "hard-to-serve" individuals are not neglected is a major challenge for PESs that extends well beyond immigrant integration.

*Adapting Employment Services to meet newcomers' needs*

Improving the incentives for advisors to serve newcomers' needs is difficult. Approaches that reward private providers for their success in getting a maximum number of jobseekers into work create the risk of "creaming", i.e., providers will help those with the best prospects. Other, more sophisticated, approaches involve paying providers a higher rate for demanding cases, although related incentive structures have proven hard to get it right. Practices that promise to improve advisors' capacity include:

- reducing the caseloads of advisors serving groups with particular needs (e.g., Sweden);
- providing them with increased flexibility to address non-work barriers such as childcare and travel (e.g., France, UK);
- bringing new arrivals into contact with intensive services earlier (e.g., Sweden); and

Learning (RPL) systems in their countries to the benefit of migrant workers and refugees. It provides concrete information, examples, checklists and other tools to assist service providers to better understand, raise awareness and facilitate use of RPL where it exists. (ILO, 2017)

- training advisors to understand newcomers' specific barriers to work as well as training them in recognition procedures and intercultural competencies (e.g., Germany). [12]

Acknowledging the complexity of employment counsellors' jobs and giving more prestige to these jobs would also help.

### Vocational and language training

Training, if designed to serve migrants' specific needs, promises to help with language fluency, basic skills, technical expertise, and even soft skills. Innovative initiatives identified by the ILO-MPI research include occupation-specific language instruction, which has been found to be cost-effective even for those with lower levels of education; experiments with supplementary on-line courses; and modular courses as well as supervised work experiences that allow the foreign-trained to fill particular skills gaps rather than to fully retrain. However, currently such programs are relatively rare and tend to be small in scale.

Occupation-specific intensive programmes and language instruction. Work-focused language programmes are often seen as more attractive than standard language programmes because they are oriented toward a particular occupation or outcome, thus improving learner motivation. Intensive programmes that combine work-specific vocabulary, information about regulatory systems, occupational safety and health, and practical requirements for specific occupations (such as drivers, electricians, or carpenters) are often designed to help people update their skills for the local labor market and appear sufficiently intensive for people with little experience or training. The models with the best results combine language and vocational teachers in the same classroom or workplace setting. The downside is that only localities with a large immigrant population will have sufficient demand for courses aimed at people from a particular occupational background.

Supplementary on-line courses. There is considerable potential for distance learning via on-line tools or mobile apps to fill the gaps in immigrants' training. For example, online lectures can be repeated and slowed down, allowing learners to absorb material at their own pace and to keep up with vocational programmes that are aimed at native

[12] For more information, please refer to the policy case studies of the ILO-MPI project, available at: http://www.ilo.org/global/topics/labour-migration/projects/WCMS_357742/lang--en/index.htm.

speakers. Even people in full-time work may use these tools in their free time and thus up-grade their skills. In addition, this format can free up class time, enabling teachers to provide more intensive, interactive support, and it appears to reduce the cost of instruction for those with access to these technologies.

For those who are already in work, employers' involvement is critical to upward mobility but it remains a challenge to get employers to invest in training for low-skilled workers. Among the promising practices one can find: revamping traditional strategies for incentivizing on-the-job training, such as training subsidies and subsidized work experience; ensuring that language training is eligible, and encouraging employers to provide skills assessments as part of the process. [13]

*Involvement of the social partners*

Employers play a critical role in the development of skills assessment procedures that are widely respected by their peers and of training programmes for migrants and refugees that are adapted to local labor market needs. Trade unions can support newcomers in their development of soft skills that are important to career progression. They are instrumental in building bridges with native co-workers and can help migrants understand the local work culture. In some countries, unions also organize trainings around attitudes in the work place and working in a multicultural environment.

At EU level, there appears to be a lot of political will by employers' and workers' representatives to collaborate on labor market integration, as demonstrated by a common 'Statement of the European Economic and Social Partners on the Refugee Crisis' which was the result of a Tripartite Social Summit held on 16 March 2016. In January 2017, all EU social partners (i.e., ETUC, Business Europe, Euro- Chambers, CEEP and UEAPME) launched a common project aimed at facilitating the integration of refugees in the labor market. The "LABOUR-INT: Labour Market Integration of Migrants: A multi-stakeholder approach" project seeks to establish an innovative approach, based on the cooperation, dialogue and commitment of the social partners as key labor market actors, and to build or foster collaboration with other relevant stakeholders in the public, private and non-profit sectors. The project includes national pilot actions and the

[13] For details, please refer to the synthesis report of the ILO-MPI project: Benton et al. (2014b), p. 18-23.

exchange of information on methods and practices of labor market integration of refugees and asylum-seekers.[14]

*Policy considerations / Concluding remarks*

A large majority of migrants in Europe did not and still does not come as labor migrants but as asylum seekers, family members of labor migrants and recognized refugees, or has come to their destination countries under the free movement provisions of the European Union. In light of demographic developments and labor shortages in certain sectors, many European countries consider that they cannot afford to waste the potential of any of their residents. Therefore, these countries attempt to activate the skills of persons who have no initial attachment to the labor market.

Research has demonstrated the importance of early interventions with relevant career advice, which is crucial for new arrivals' access to and success in the labor market. In some countries a precondition for early interventions may be that employment advisors receive diversity and intercultural training to understand the specific needs of new arrivals (such as their greater language barriers and more limited job-search experience), and be well-acquainted with processes for qualification recognition. In other countries, the prestige of employment advice could be bolstered by setting higher entry requirements and improving on-going professional development.

Improved opportunities for progression will likely be possible via incentives to employers; work on the recognition of qualifications; work focussed language training; and experimenting with e-learning.

Effective policies will require a breaking down of siloes between ministries / agencies and policy areas, using a "whole of government approach", including the social partners, plus working with others such as civil society as service providers. Improved information sharing and networking; the establishment of one-stop shops; monitoring outcomes; improving systematic evaluations; and holding all partners responsible via a coherent integration strategy with a clear implementation plan are suggestions in this respect.

Inevitably, the financial means for immigrant integration are limited everywhere but several of the above-proposed measures can be carried out without much investment. Furthermore, in numerous countries, mainstream institutions such as PESs and training

[14] For more information please see http://www.labour-int.eu/

bodies already receive considerable funding and certain adjustments to their functioning need not be costly. The inclusion of materials on newcomers' needs in existing training for PES advisors is one example.

In particular where migrants and/or refugees arrive in larger numbers, it will be important not to leave local populations behind. Policy makers may therefore wish to check whether hitherto excluded groups can be part of measures initially foreseen for new arrivals. Area-based and other 'mainstream' integration measures and labor market interventions appear attractive in particular in increasingly diverse European contexts, to create inclusive and cohesive societies.

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# US and California Policies toward Low-Skilled Migrants
## Philip Martin

### Introduction

The US government has immigration and labor law policies, but not federal integration policies. US government policies determine who can enter the US and what foreigners can do inside US borders, and the federal government establishes and enforces labor laws that set minimum labor market standards and create mandatory work-related benefit programs including social security pensions, unemployment insurance, and workers compensation for workplace injuries and disabilities.

Most social safety net programs associated with the integration of adult immigrants are left to states. For example, the federal government provides grants to states that can be used to provide cash welfare assistance to poor residents, for job training and retraining, and to provide health care to poor residents. States can elect to spend more than these federal grant funds by expanding eligibility and using state funds to cover the additional costs, as with California's decision to provide health care at no cost to unauthorized foreigners under 27.

The result is diversity in immigrant integration policies across states and cities. Most states and cities follow the federal government's laissez faire approach to immigrant integration, denying eligibility to most legal immigrants until they have worked in the US at least 10 years or 40 quarters or become naturalized citizens after five years in the US.[1] Other states and cities have offices of immigrant integration and special programs targeted at poor immigrants, including unauthorized foreigners.

Some integration policies are general, while others are immigrant-specific. The two most important immigrant-integration programs are full employment and minimum wages, and they benefit all low-skilled workers. Full employment encourages employers to hire and train low-skilled workers, while minimum wages erect a wage floor for all workers.

In Fall 2019, the US unemployment rate hit a 50-year low of 3.5 percent, encouraging employers to relax hiring standards in order to find workers and benefitting all workers,

[1] Eligibility for federally funded employment and training programs often requires legal status as well as satisfaction of income and asset tests

including US ex-offenders as well as migrants with limited English and few skills. The federal minimum wage has been $7.25 since July 24, 2009, but California's minimum wage of $12 an hour in 2019 is 65 percent higher; the state's minimum wage is headed for $15 an hour by 2022 for employers with 26 or more employees.

California's median income in 2018 was $75,300, meaning that half of the state's households had higher incomes and half had lower incomes. California also has high housing prices, a median $550,000 in mid-2019, so that a $12 an hour minimum wage may be insufficient to achieve an above-poverty level income. Some five million California residents, including 1.5 million children, lived in households with below poverty level incomes, or less than $25,465 for a family of four in 2018.

California has 58 counties, and the poverty rates for the 40 counties for which data are available ranged from six to 23 percent. Five of the eight counties with poverty rates above 20 percent are in the San Joaquin Valley, including the three counties with the highest farm sales, Kern, Tulare, and Fresno.

California requires all employers to provide workers with unemployment insurance (UI), while federal law exempts smaller employers, and California has more extensive regulations to protect workers injured on the job. Employers pay unemployment insurance on behalf of unauthorized workers, who are not eligible for UI benefits, but the health care costs of unauthorized workers who are injured at work are covered, and workers unable to work in the future may receive compensation.

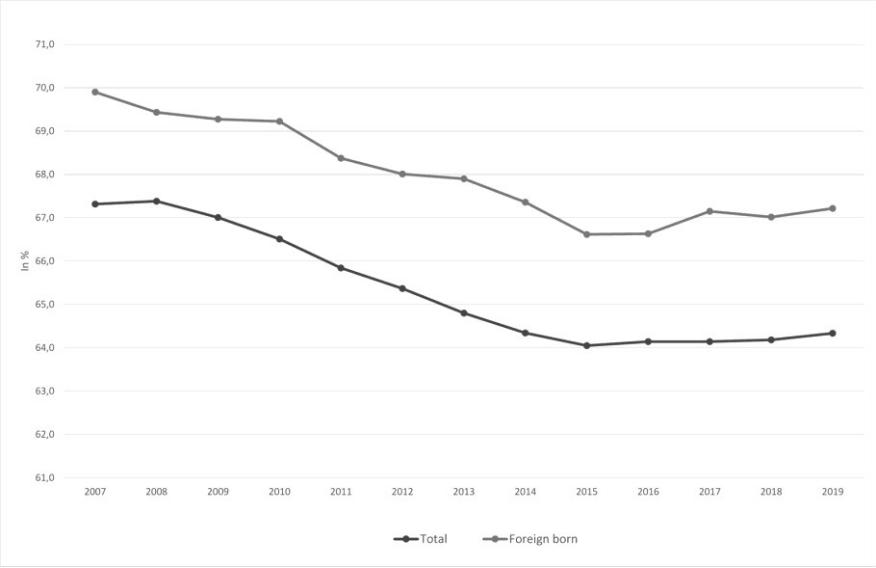
California is more generous with cash welfare assistance for poor residents than required by federal law, and has elected to provide poor unauthorized foreigners under 27 with health care at no cost. An extensive community college system with 114 campuses offers a wide range of college prep and vocational or career technical education classes to 2.1 million full and part time students at little or no cost.

The US immigrant integration system offers jobs to newcomers that pay at least the minimum wage. A limited social safety net is associated with all US jobs: minimum wages, benefit programs financed by payroll taxes that include pensions (Social Security and Medicare), unemployment insurance, and workers compensation. California goes beyond federal minimum requirements and offers low-skilled adult newcomers access to free or low-cost education and training services, some federally funded and some supported by state funds.

## Foreign-Born Workers

The US had 28.2 million foreign-born workers in its 162-million strong US labor force in 2018, making foreign-born workers 17.4 percent of US workers. Foreign-born men have higher labor force participation rates than US-born men, 78 percent compared to 67 percent in 2018, while foreign-born women have a lower participation rate, 54 percent compared to 58 percent for US-born women.[2] About half of foreign-born workers were Hispanic, and a quarter were Asians.

*Figure 1. Foreign-born adults have higher labor force participation rates*




Source: BLS. Labor force participation rate (25 years and older)

The unemployment rate of foreign-born workers in 2018 averaged 3.5 percent, compared to 4.0 percent for the US-born; the unemployment rate of foreign-born men was even lower at 3.0 percent. For all racial and ethnic groups, foreign-born workers had lower unemployment rates than similar US-born workers. For example, 3.8 percent of

[2] The gap in labor force participation was especially large for foreign-born women with children under 18, only 61 percent compared to 75 percent of US-born women with children under 18 were employed or looking for work. For women with children under three, the gap was even larger, 45 percent of foreign-born women and 66 percent of US-born women with small children were in the labor force.

foreign-born Hispanics were jobless in 2018, compared to 5.5 percent of US-born Hispanics.

Over 21 percent of foreign-born workers in the US did not complete high school, compared with four percent of all US-born workers. About 37 percent of foreign-born workers, and 41 percent of US-born workers, had college degrees. Foreign-born Hispanics with less than a high school education were much more likely to be in the labor force than similar US-born Hispanics: 63 percent of foreign-born Hispanics without high school diplomas were in the labor force in 2018, compared to 46 percent of US-born Hispanics.

The foreign-born are concentrated in particular occupations, often agriculture, construction and services. Two percent of foreign-born men, compared to 0.8 percent of US-born men, were in farming. Similarly, 16 percent of foreign-born men, compared to 8.3 percent of US-born men, were in construction occupations. Among women, 10 percent of foreign-born women, compared to two percent of US-born women, were in cleaning and maintenance occupations.

The median earnings of foreign-born workers, $758 a week, were 20 percent lower than for US-born workers, $910 a week. The gap in earnings was larger for foreign-born men than for foreign-born women, who earned 84 percent as much as US-born women. Similarly, the earnings gap was larger for older workers: foreign-born workers 55 and older earned 75 percent as much as similar US-born workers, while foreign-born workers 25-34 earned 92 percent as much as similar US-born workers.

The gap between the earnings of foreign-born and US-born workers reverses as education rises. Foreign-born workers with less than a high-school education earned an average $535 a week in 2018, compared to $578 a week for similar US-born workers. However, foreign-born workers with college degrees averaged $1,362 a week, four percent more than the $1,309 a week for college-educated US-born workers.

### Employment and Job-Training Programs

The US has at least 43 employment and job-training programs, and most are not operated by the Department of Labor (DOL). The U.S. Government Accountability Office - GAO (2019) noted that the 43 federally funded employment and training programs spent a total of $14 billion in the financial year of 2017 to provide services to 10 million people. A Council of Economic Advisors (CEA) - report concluded that “With the

exception of the Registered Apprenticeship program, government job training programs appear to be largely ineffective and fail to produce sufficient benefits for workers to justify the costs." (CEA, 2019: p2)

The CEA conclude that most government employment and job-training programs did not generate sufficient data to evaluate their effects accurately. The CEA specifically criticized the Job Corps training program for poor youth, programs intended to help formerly incarcerated people find jobs, and trade adjustment assistance programs for workers displaced by increased imports, as not generating sufficient benefits to justify their costs. The exception was apprenticeships, where a 2012 study found that those who completed apprenticeships earned $240,000 more than similar nonparticipants over their lifetimes.

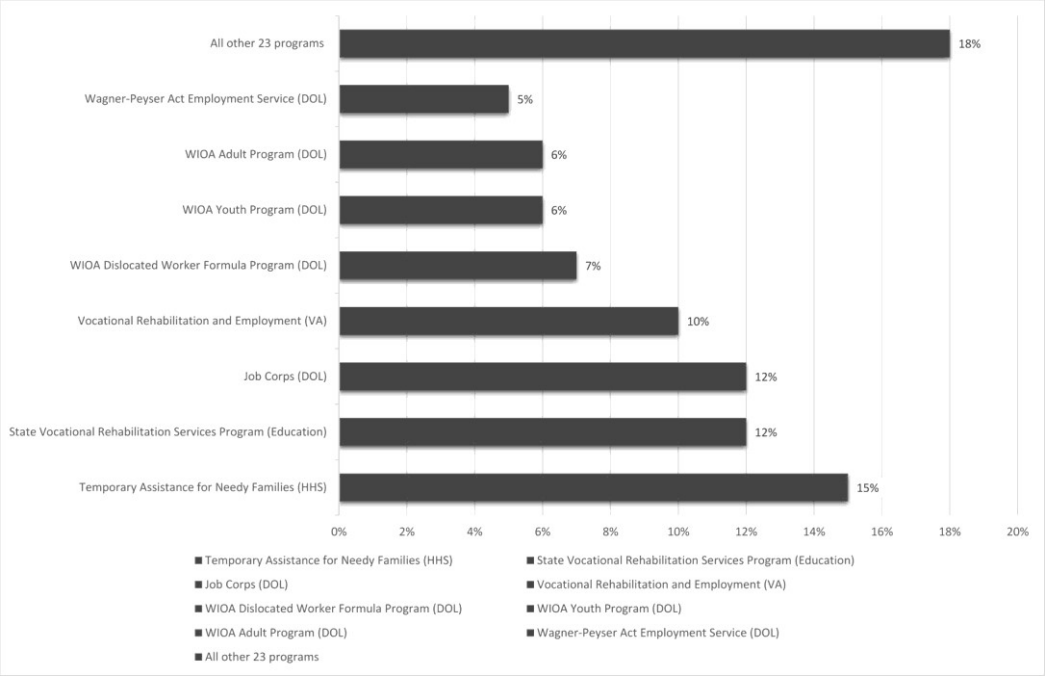
*Table 1: 43 federally funded employment and training programs in 2017*

| **Department of Labor (19 programs)** | **Department of Health and Human Services (7 programs)** |
|---|---|
| Disabled Veterans' Outreach Program | Community Services Block Grant |
| H-1B Job Training Grants | Native Employment Works |
| Homeless Veterans' Reintegration Project | Refugee and Entrant Assistance - Discretionary Grants |
| Indian and Native Americam Program | Refugee and Entrant Assistance State/Replacement Designee Administered Programs |
| Job Corps | Refugee and Entrant Assistance State - Voluntary Agencies Matching Grant Program |
| Local Veterans' Employment Representative Program | Temporary Assistance for Needy Families |
| National farmworker Jobs Program | **Department of the Interior (3 programs)** |
| Reentry Employment Opportunities | Job Placement and Training Program |
| Registered Apprenticeship | Tribal Technical Colleges |
| Senior Community Service Employment Program | Youth Partnership Programs |
| Trade Adjustment Assistance for Workers | **Department of Defense (2 programs)** |
| Transition Assistance Program | National Guard Youth Challenge Program |
| Wagner-Peyser Act Employment Service | Job Training, Employment Skills Training, Apprenticeships, Internships |
| WIOA Adult Program | **Department of Veterans Affairs (2 programs)** |
| WIOA Dislocated Worker Formula Program | Compensated Work Therapy |
| WIOA National Dislocated Worker Grants | Vocational Rehabilitation and Employment |
| WIOA Youth Program | **Department of Agriculture (1 program)** |
| Women in Apprenticeship and Nontraditional Occupations | Supplemental Nutrition Assistance Program Employment and Training |
| Youth Build | **Department of Justice (1 program)** |
| **Department of Education (7 programs)** | Second Chance Act Technology-Based Career Training Program for Incarcerated Adults and Juveniles |
| American Indian Vocational Rehabilitation Services | **Environmental Protection Agency (1 program)** |
| Tribally Controlled Postsecondary Career and Technical Institutions Program | Environmental Workforce Development and Job Training Cooperative Agreements |
| Native American Career and Technical Education Program | |
| Native Hawaiian Career and Technical Education Program | |
| State Supported Employment Services Program | |
| State Vocational Rehabilitation Services Program | |
| Career and Technical Education - Basic Grants to States | |

Source: Government Accountability Offices, (GAO)

The largest programs by spending were not administered by the Department of Labor (DOL). State vocational rehabilitation grants administered by the Department of Education were over 20 percent of federal spending on employment and training in the fiscal year 2017, followed by 15 percent of employment and training program spending for temporary assistance to needy families, a program administered by the Department of Health and Human Services (HHS). The largest DOL programs were Job Corps and the Dislocated Worker Formula Program.

*Figure 2: 8 programs accounted for over 80% of spending in fiscal year 2017*




Source: GAO. WIOA = Workforce Innovation and Opportunity Act

DOL offers a range of job-matching and skills-enhancement assistance to adults (www.doleta.gov/programs). Most are accessed via one of the 2,500 American Job Centers or One-Stop Career Centers that are operated by state and local workforce development boards that include government, employer, and worker representatives.[3]

[3] The American Job Center - AJC/One-Stop system was created by the Workforce Investment Act of 1998.

Worker eligibility for One-Stop services depends on individual characteristics and reasons for unemployment (CRS, 2019).

There is a distinction between earned and other job-related benefits. The major earned benefits are Social Security and unemployment insurance (UI). Social Security is a federal program that provides benefits to qualifying disabled and retired workers; eligibility normally requires legal status and at least 10 years or 40 quarters of covered employment. UI is a federal-state program that provides benefits to workers who lost their jobs involuntarily and are seeking another job. UI benefits aim to replace a portion of lost earnings, generally for up to 26 weeks. The duration and level of benefits varies by state. Total US expenditures on UI were $27 billion in the fiscal year 2019, plus almost $4 billion for administrative expenses (CRS, 2018: p2). Since eligible workers are entitled to UI benefits that averaged $357 a week in January 2019, states borrow from the federal government to make payments when unemployment rates are high and can raise taxes on employers to replenish their UI reserves.

Unauthorized workers are generally not eligible for UI benefits, even if their employers make payments on their behalf. Employers of legal H-2A guest workers[4] do not have to pay the 0.7 percent of wages that all other employers pay to administer the UI program and, in most southeastern states, employers of H-2A workers are also exempt from the state UI taxes that finance benefits to jobless workers. In California, employers must pay the state UI tax on the wages paid to H-2A guest workers. The major employment and training programs administered by DOL are authorized under the Workforce Innovation and Opportunity Act (WIOA) of 2014 and include both national programs that make grants to states and targeted grants, such as the grants to entities that serve farm workers and Native Americans. Some WIOA programs are funded by federal formula funding to states, which allocate funds to local entities to provide job-search assistance, career counseling, and job training, often by issuing vouchers to applicants that they can use at community colleges or other training providers.

The Adult Education and Family Literacy Act provides formula grants to states to fund educational services for adults seeking below high-school level education and English-

[4] The H-2A immigration program allows U.S. employers or U.S. agents who meet specific regulatory requirements to bring foreign nationals to the United States to fill temporary agricultural jobs.

language instruction. Most of these federal grant funds are passed through to school districts and community colleges.

Some DOL job-related assistance programs make eligibility contingent on how a person lost his or her job. For example, dislocated worker programs serve those who were laid off from a job that they are unlikely to return to, making them eligible for job-search and retraining assistance. If the job loss was due to increased imports, the worker may be eligible for trade adjustment assistance, which provides more benefits, including wage subsidies for workers 50 and older whose new jobs pay less than their old jobs.

DOL also funds employment and training programs that depend on personal characteristics. Eligibility for vocational rehabilitation is limited to persons with disabilities, eligibility for the Job Corps is restricted to those with low-incomes and who are aged 16 to 24, and the Senior Community Service Employment Program is for those 55 or older with a low income who seek part-time work. There are also special programs for veterans of the armed forces.

*Table 2: Eligibility Criteria for Federal Job Training Programs*

| **Programs available to all Jobseekers** |
|---|
| **All job seekers** are elibgible for job search and training benefits under the Adult Activities provisions of the Workforce Innovation and Opportunity Act (WIOA) and basisc education and English literacy courses through the Adult Education and Family Literacy Act (AEFLA) |
| **All job seekers** are eligible for job matching and other employment services, under the Wagner-Peyser Act. Recipients of unemploymnet insurance are required to receive these services. |
| **Programs targeted by Circumstance of of Loss** |
| **Workers who were** (1) involuntarily terminated, (2) well-attached to the labor force, and (3) unlikely to return to their previous occupation or industry are eligible for job search assistance and training benefits under the Dislocated Worker provisions of WIOA. |
| **Workers whose job** loss is attributable to foreign trade may be eligible for training and other benefits through the Trade Adjustment Assistance program. |
| **Programs Targeted by Jobseeker Characteristics** |
| **Individuals with disabilities** may be eligible for customized services (including training) through state vocational rehabilitation programs. |
| **Disadvantaged Youth** may be eligible for services under the Youth Activities provisions of WIOA or placement in the residential Job Corps program. |
| **Individuals age 55 or over** may be eligible for subsidized part-time employment through the Community Service Employment for Older Americans program. |
| **Veterans** are eligible for job search assistance and other services through programs funded by the Jobs for Veterans State Grants. |

Federal expenditures on employment and training programs were $14 billion in the fiscal year 2019, and ranged from $3.5 billion for vocational rehabilitation to $845 million for adult education and training to $400 million for subsidized employment for seniors.

*Table 3: Funding for major employment and training programs fiscal year 2019*

| Program | Description | Appropriation (in million $) |
|---|---|---|
| **National Programs available to All Jobseekers** | | |
| Adult Employment & Training Activities | Provides job search assistance & training (including occupational skills training & on-the-job training). Training is conducted through a vouvher system that allows individuals to attend training at eligible training providers | 846 |
| Employment Services under the Wagner-Peyser Act | Provides non-training services to job seekers and employers, including career counseling, job search workshops, labor marker information, job listings, applicant screening, and referrals to job openings | 663 |
| Basic Education under the Adult Education and Family Literacy | Provides educational services at the secondary level and below as well as English language training. | 642 |
| **National Programs targeted by Circumstances of Job Loss** | | |
| Dislocated Worker Employment and Training Activities | Provides employment services and training subsidies to workers who have involuntarilöy lost theoir jobs and demonsztarted a spevcified level of labor force attachment | 1262 |
| Trade Adjustment Assistance | Provides reemployment services, training services, income support payments, and other benefits to workers whose job loss was attributable to international trade | 790 |
| **National Programs targeted by Jobseekers Charactreistics** | | |
| Vocational rehabilitation | Provides customized counseling, training benefits, and other employment-related services to individuals with disabilities | 3522 |
| Job Corps | Through primarily residential programs, provides disadvantaged youth with skills needed to obtain and hold a job, enter the Armed Forces, or enroll in advanced training or higher education | 1719 |
| Youth Activities | Provides funding for training and related services to certain youth who are in school or out of school. A youth is eligible for services funded by this program if the individual is between the ages of 14 and 21 (or 24 for out-of-school youth) and meets other statutory criteria. | 903 |
| Community Service Employment for Older Americans (Title V of Older Americans Act) | Provides funding for subsidized employment in a variety of community-service jobs. To be eligible, a participant must be unemployed, age 55 or over, and demonstrate limited potential to enter unsubsidized employment | 400 |
| Jobs for Veterans State Grants | Provides state personnel positions that provide employment-related services to veterans and outreach to local employers | 180 |

## Conclusions

The US and California have integration-through-work policies for low-skilled adult immigrants. Newcomers are expected to quickly find jobs and become self-supporting with the help of the relatives who sponsored their admission or the US employers who hire them. Unauthorized newcomers have very limited access to the social safety net, but can often find jobs using false work authorization documents.

Newcomers to the US who arrive as adults have access to a variety of public programs that allow them to improve their English and to enhance their skills, and may have access to employer-supported English and skills training programs as well. The major challenge for many newcomers is to find enough time to learn English and new skills while working often long hours in low-skilled jobs that may require lengthy commutes from low-cost housing.

Some low-skilled migrants are able to achieve the American dream of upward mobility in their lifetimes, but for many low-skilled migrants, upward mobility in the US follows in the second and third generations, as children educated in US schools fare far better economically than their parents. Many migrants acknowledge such inter-generational mobility, asserting that they are sacrificing by working long hours in low-skilled US jobs in order for their children to achieve upward mobility.

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# Covid-19 and its impact in the US and Europe

Gudrun Biffl and Philip Martin

## US Impacts with a focus on agriculture

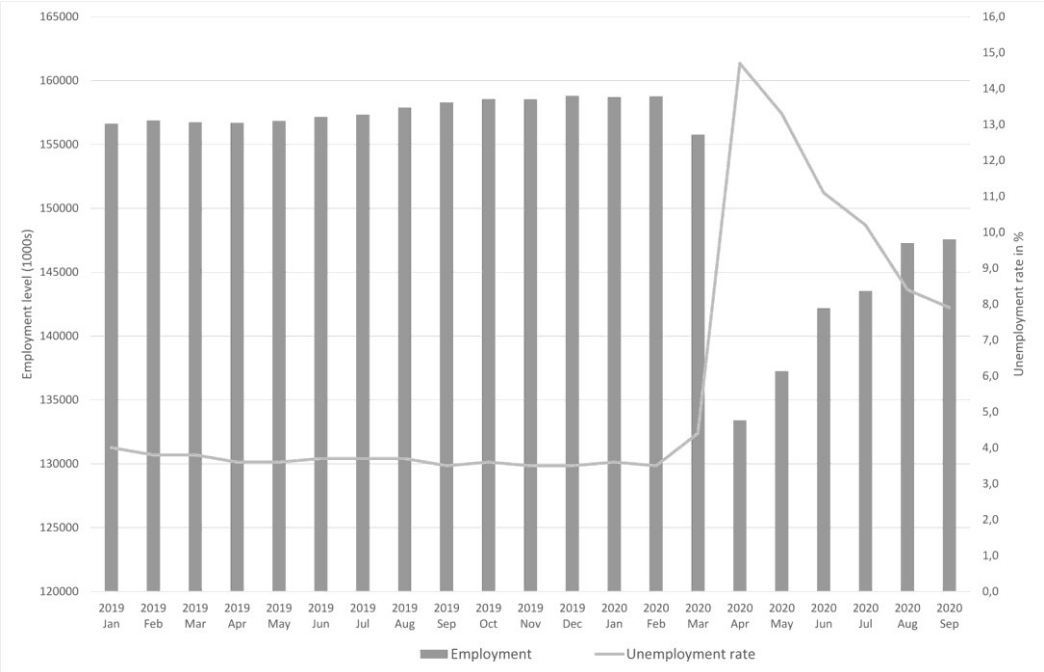
The Covid-19 pandemic led to lockdowns that reduced employment and increased unemployment. US employment peaked at 158.8 million in February 2020, when the unemployment rate was 3.5%, fell to 133.4 million in April 2020, when the unemployment rate was 14.7 percent. Employment rebounded to 147.6 million in September 2020, when the US unemployment rate was 7.9 percent.

The roller coaster US labor market involved large job losses and gains within six months. Government stay-at-home orders reduced employment, especially in travel, hospitality and related service industries, while many professional workers switched from working in offices to working remotely from their homes. One exception to stay-at-home orders were essential workers, especially in food production and health care services, who were expected to continue to work in person.[1] (Figure 1)

Producing food on farms was considered essential in all states, and foreign-born or migrant workers dominate the hired farm workforce. Most of the two million US farms are small, money-losing hobby and retirement operations, while most farm employment is on the largest five percent of all farms, fewer than 100,000, that hire farm workers directly or indirectly, as they rely on farm labor contractors and other intermediaries to bring workers to their farms.

[1] State governors issued executive orders that defined essential services in their states. One review identified 12 sectors that employed 55 million US workers in 2019, including health care (30 percent of essential workers), food and agriculture (20 percent), and the industrial, commercial, residential facilities and services industry (12 percent), which includes janitors and maintenance workers. https://www.epi.org/blog/who-are-essential-workers-a-comprehensive-look-at-their-wages-demographics-and-unionization-rates/

*Figure 11: Fall of U.S. Employment and rise in Unemployment due to COVID-19*




Source: U.S. Bureau of Labor Statistics.

Table 1 shows that an average 850,000 self-employed persons and an average 1.5 million wage and salary workers were employed in US agriculture in 2016. The average employment of farmers and family members in agriculture declined by five percent between 2006 and 2016, and is projected to decline another three percent by 2026.[2] However, there was significant growth in the average employment of hired workers between 2006 and 2016, up 23 percent. The Bureau of Labor Statistics projects stable hired worker employment through 2026,[3] so that hired workers should continue to account for two-thirds of average employment in US agriculture.

[2] The US labor force is projected to expand by a million a year, from 159 million in 2016 to 170 million in 2026. GDP is expected to grow two percent a year over the next decade, up from 1.4 percent a year over the 2006-16 decade. Employment in 2026 is projected to be 168 million, up from 157 million in 2016. There are expected to be 136 million workers employed in services, 20 million in goods-producing industries, and 2.3 million in agriculture.

[3] Agricultural employment includes forestry, fishing, & logging, which collectively account for less than five percent of agricultural employment.

*Table 1: US Agricultural Employment, 2006-2026*

| | | | | Change | Change |
|---|---|---|---|---|---|
| Sector | 2006 | 2016 | 2026 | 2006-16 | 2016-26 |
| Agriculture wage & salary | 1,219 | 1,501 | 1,518 | 23% | 1% |
| Agriculture self-employed | 893 | 850 | 828 | -5% | -3% |
| Total agriculture | 2,112 | 2,351 | 2,346 | 11% | 0% |
| Hired share | 58% | 64% | 65% | | |

Source: US Bureau of Labor Statistics. https://www.bls.gov/opub/mlr/2017/article/projections-overview-and-highlights-2016-26.htm

The National Agricultural Worker Survey (NAWS) has since 1989 collected data on workers employed on US crop farms, and in recent years found an aging, settled, and unauthorized Mexican-born workforce.[4] The most typical worker is a 41-year-old man born in Mexico and living illegally in the US for more than 20 years. US crop workers have an average nine years of schooling, and three-fourths speak at least some English. Unlike stereotypical images of farm workers moving with their families from one farm to another, the NAWS finds that most farm workers have only one farm employer for whom they work 35 weeks of 200 days a year, earning about $12.50 an hour or $560 for a 45-hour work week.

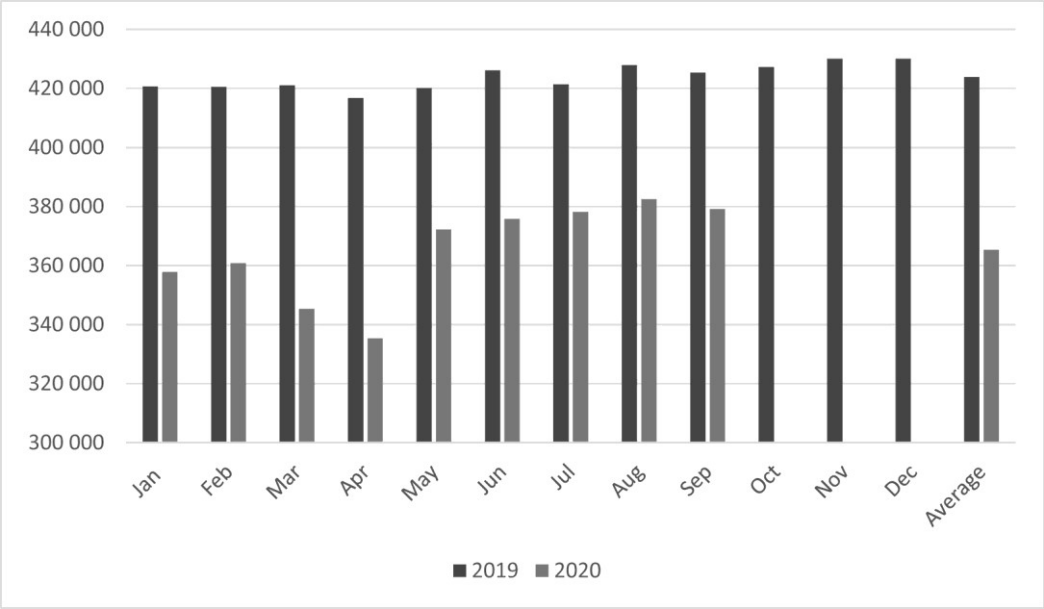
Many farm jobs are repetitive, requiring workers to pick ripe apples into bags or to cut bunches of grapes and place them into lugs. There were widespread fears of farm labor shortages in 2020 amidst predictions that farm workers with limited access to social safety net programs, and often living in crowded housing, would work while sick and spread Covid in farm worker communities (Beatty et al., 2020; Martin, 2020). However, there were few reports of farm labor shortages, and some reports of California farm workers getting fewer hours of work in 2020 as restaurants and other food service operations bought less fresh produce (Villarejo, 2020).

The US does not publish agricultural employment data monthly, but California does, and California data show 20 to 30 percent less agricultural employment in 2020 than 2019, with the sharpest drop in June 2020. The reduction in reported agricultural employment could be due to the Covid-19 pandemic that closed restaurants and reduced the demand for some farm commodities, or because farm employers did not

[4] www.doleta.gov/naws/

report farm employment data or reported late.[5] California shipments of berries, tree fruits, and melons were similar 2019 and 2020, suggesting that farm employment data are likely to be revised upward when Human Resource offices on large farms reopen.

*Figure 2: California Agricultural Employment, 2019 and 2020*




Source: https://www.labormarketinfo.edd.ca.gov/data/employment-by-industry.html

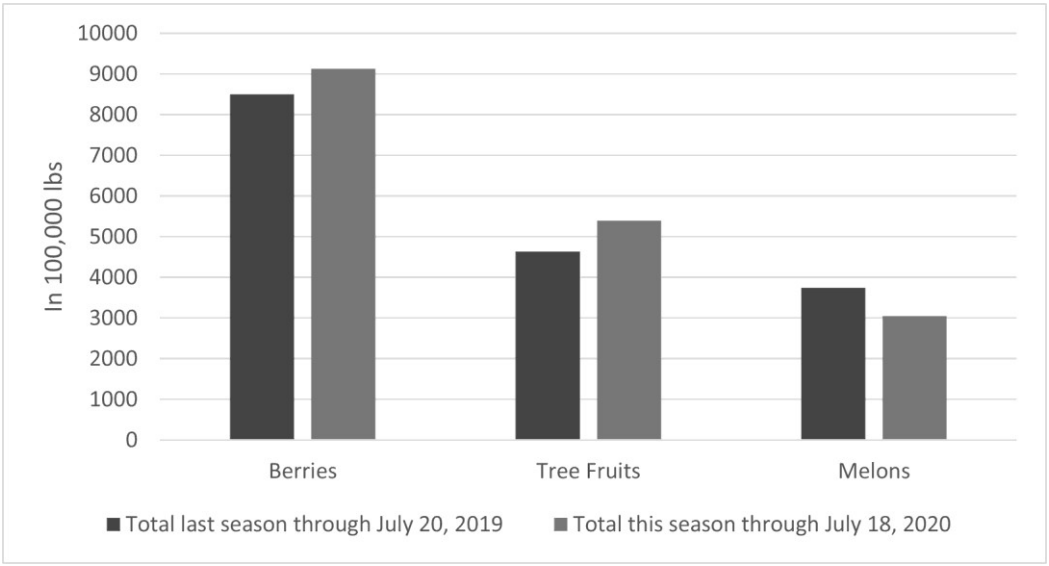
There were enough workers to harvest US crops, and they included more H-2A guest workers in 2020. The US Department of Labor (DOL) certified over 13,000 farm employers to fill almost 258,000 jobs with H-2A guest workers in the Fiscal Year 2019. In order to be certified to employ H-2A guest workers, farm employers must try and fail to recruit US workers, provide transportation and free housing to the guest workers, and pay them at least an Adverse Effect Wage Rate (AEWR) that is higher than the federal or state minimum wage.[6]

H-2A guest workers are 10 to 20 percent more expensive than US workers. A US worker employed in California for the minimum wage of $13 an hour in 2020 typically has labor costs of $17 an hour with payroll taxes. An H-2A worker who must be paid the

[5] https://migration.ucdavis.edu/rmn/blog/post/?id=2467
[6] https://migration.ucdavis.edu/rmn/blog/post/?id=2429

AEWR of $14.77 an hour has labor costs of $20 an hour, including the cost of visa fees, transportation, and housing. Both employers and H-2A workers are exempt from Social Security taxes, and the federal portion of unemployment insurance taxes, which narrows the cost gap between US and H-2A workers.

*Figure 3: California Shipments of Berries, Tree Fruits, and Melons, 2019 and 2020*




Source: University of California. Agricultural Issues Center.

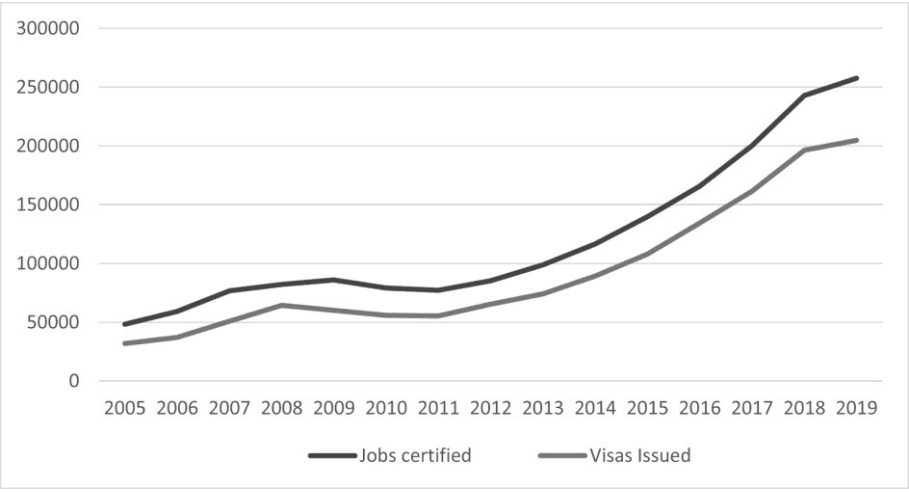
Employers perceive several advantages with H-2A guest workers. First, careful recruitment among Mexican workers eager to earn wages that are 10 to 12 times higher in the US than in Mexico ensures that H-2As are very productive; over 90 percent of H-2A guest workers are men from Mexico, and they are a decade younger than US workers. Second, H-2A workers are bound by contract to their US employer, so they do not switch employers to earn higher wages at critical times. Third, H-2A workers can be provided by labor contractors and other intermediaries, becoming a turn-key labor force for employers who do not have or want personnel offices. Almost half of H-2A workers are brought to US farms by contractors.

The third major impact of Covid-19 is to speed up changes that were occurring before the pandemic, viz, more mechanization, more guest workers, and more imports. Labor-

saving mechanization reduces the need for hand labor, while harvesting aids make farm workers more productive. The big five employers of US farm workers are apples, oranges, strawberries, lettuce, and tomatoes, and there are mechanization and aid projects underway in each commodity to reduce the need for hand workers and to make them more productive.

For example, planting dwarf apple trees and trellising them into fruiting walls makes apples easier to pick by machine or by hand with hydraulic platforms that carry workers who harvest into 1,000-pound bins. Similarly, conveyor belts traveling slowly in front of lettuce and strawberry pickers can increase their productivity by reducing the time required to take harvested produce to a collection point.

*Figure 4: H-2A Jobs Certified and Visas Issued, fiscal year 2005-2019*




Source: Dept of Labor, https://www.foreignlaborcert.doleta.gov/h-2a.cfm
Dept of State, https://travel.state.gov/content/travel/en/legal/visa-law0/visa-statistics/nonimmigrant-visa-statistics.html

Figure 4 shows that the H-2A guest worker program tripled in size between the Fiscal Years of 2012 and 2019, as unauthorized Mexico-US migration slowed and smugglers raised their fees, so that migrants who succeeded in entering the US sought nonfarm year-round jobs rather than seasonal farm jobs. An expanding infrastructure improved the efficiency of H-2A recruitment, and the development of housing for seasonal workers, including the conversion of hotels and motels into seasonal farm worker

housing, provided employers with productive and loyal H-2A workers, a form of labor insurance for which more employers appear willing to pay.

The third trend is more imports of fresh fruit and vegetable commodities. Trade in fresh fruits and vegetables has been rising, due in part to investments by US producers and marketers in Mexico and other countries with complementary seasons and lower wages. For example, over half of the fresh fruit consumed in the US, and a third of the fresh vegetables, are imported, and Mexico is the source of half of US fresh fruit imports and three-fourths of US fresh vegetable imports.[7]

Mexican exports of farm commodities, primarily fruits and vegetables, have risen faster than US exports to Mexico of corn, grains, and meat, so that the US has had an agricultural trade deficit with Mexico since 2014. Mexico's success in exporting labor-intensive commodities echoes the prediction of then President Carlos Salinas, who urged approval of NAFTA by asserting that the US can accept either Mexican tomatoes or tomato pickers. Today, over 60 percent of US fresh tomatoes are imported, almost all from Mexico. Export agriculture in Mexico is closely connected to US agriculture, since most of the capital and inputs on Mexico's export farms are from the US.

**The Covid-19 pandemic highlighted the importance of migrant workers in food production**, leading to exceptions from stay-at-home orders for essential farm workers and exceptions to border closures that allowed H-2A guest workers to cross otherwise closed US borders. There were no significant farm labor shortages, so that shipments of US fruits and vegetables were similar in 2019 and 2020. However, the H-2A program expanded in 2020 despite high unemployment rates, suggesting that it will be hard to get jobless local workers into seasonal farm jobs. Finally, fears of future pandemics and rising minimum wages accelerated trends already underway, including labor saving mechanization and harvesting aids that raise productivity, more guest workers, and more imports.

Agriculture is a special case for pandemics and low-skilled migrants. There are other special cases as well, including workers who care for children and the elderly in private homes and group settings. Many care workers are migrants, and their wages are often kept low by governments that do not want to raise taxes in order to pay higher wages

[7] https://migration.ucdavis.edu/rmn/blog/post/?id=2404

for government-funded caregiving. Options to save on labor costs in care giving may be more limited than in agriculture and other goods-producing sectors.

Most labor market researchers conclude that Covid-19 will speed changes underway in labor markets. One survey highlights four areas of major change with implications for employment (Autor & Reynolds, 2020): telepresence, de-urbanization, more employment in large firms, and automation. Telepresence or remote work that reduces commuting and travel is likely to remain in some form after the Covid pandemic fades, reducing the need for less skilled workers in jobs ranging from security guard to janitor to hotel service worker. Online shopping is likely to reduce the number of clerks in stores and not replace all of them with warehouse workers and delivery drivers due to automation.

More remote workers means less need for dense urban environments, reducing the need for service workers in a wide range of occupations. The Covid pandemic is likely to speed the concentration of employment among the largest firms with the capacity to borrow money and earn higher profits, reinforcing other factors shifting more of national income from labor to capital. Finally, the Covid pandemic is likely to speed automation because "robots do not get sick."

### EU Impacts and Austria

The Covid-19 virus hit Europe in January 20, 2020, in Bavaria – it was imported by a Chinese worker of a component-supplier to the car industry. The gene-signature of this SARS-CoV-2-variant was identical with the virus first identified in Wuhan. As the woman was immediately isolated, the spread of the virus could be prevented. But a new strand of the virus travelled directly from Hubei to the North of Italy on 28 January 2020; from there it started its journey throughout Europe. (Worobey et al., 2020)[8] The policy reaction to the Covid-pandemic was a lockdown in spring 2020, encompassing large segments of the economy, schools, museums etc., as well as cross-border migration and trade. Only essential services were kept open to ensure the functioning of everyday life, in particular health and care services, pharmacies, police, supermarkets, cleaning personnel, postal and delivery services and the like. To ensure that vegetables would not

[8] This virus was later identified in New York City on 12, February and spread from there to many parts of North America. Independent strands of the virus reached the West-Coast of North America directly from various cities of China, according to Worobey et al. (2020)

rot in the fields, cross border migration of harvesters from other EU-MS as well as third countries was organized between governments via special flight and train arrangements, as borders were, in principle, closed. The same happened in the case of care workers, many of whom work in 24-hour shifts for two weeks, then return to their country of origin for two weeks and come back again thereafter. These developments made everybody realize to what extent certain sectors in the economy and society depended on migrant labor.

The media focused on this issue and drew attention to the fact that most essential jobs are not only hard work but carry also low wages and social status. The unions addressed this issue and tended to request higher wages and a hazard pay bonus for workers in often dangerous situations[9]; in addition to an already heavy workload these 'essential' workers often had to look after their children at home, due to home-schooling and the closure of child-care services. In consequence, at least seven EU-MS provided a bonus or temporary pay rise for workers in essential jobs. (Covid-19 EU PolicyWatch database)

The economic fallout of the corona-induced lockdown affected all EU countries, but the effects differed between regions, population groups and economic sectors. The Spring 2020 European Economic Forecast projected a contraction of the EU economy by close to 8% in 2020 and a rebound to growth of around 6% in 2021. (EU, 2020) This growth projection represented a downward-revision by around nine percentage points compared to the autumn 2019 economic forecast. [10] The shock to the economy follows the path of the pandemic across the various EU-MS, but the severity of the impact depends also on the economic structure. Regions and countries that rely heavily on tourism were hardest hit. Accordingly, the Southern European countries and France were particularly affected, while many Central and Eastern European countries tended to fare better. In consequence, Greece, Italy and Spain are set to be the worst affected

[9] This pertained above all to frontline healthcare workers who do not only have a higher risk of contamination but also of more severe diseases if they are exposed to higher virus concentrations, especially from severely ill patients. For more see https://www.ecdc.europa.eu/en/covid-19/latest-evidence/epidemiology

[10] These forecasts may be revised downwards again in view of a renewed lockdown flowing from a second wave of the pandemic in late autumn 2020.

economies, seeing GDP decline by over 9 percent, while Poland is expected to shrink the least (by -4.3 percent in 2020). (Table 2)

*Table 2: Gross domestic product, percentage change on preceding year, 2001-2021*

| | 5-year averages | | | | | | Spring 2020 forecast | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2001-05 | 2006-10 | 2011-15 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| BE | 1,9 | 1,5 | 1,3 | 1,5 | 2 | 1,5 | 1,4 | -7,2 | 6,7 |
| BG | 5,7 | 3,2 | 1,8 | 3,8 | 3,5 | 3,1 | 3,4 | -7,2 | 6 |
| CZ | 3,9 | 2,4 | 1,7 | 2,5 | 4,4 | 2,8 | 2,6 | -6,2 | 5 |
| DK | 1,3 | 0,2 | 1,3 | 3,2 | 2 | 2,4 | 2,4 | -5,9 | 5,1 |
| DE | 0,5 | 1,2 | 1,7 | 2,2 | 2,5 | 1,5 | 0,6 | -6,5 | 5,9 |
| EE | 7,3 | -0,3 | 3,3 | 2,6 | 5,7 | 4,8 | 4,3 | -6,9 | 5,9 |
| IE | 5,3 | 0,4 | 6,7 | 3,7 | 8,1 | 8,2 | 5,5 | -7,9 | 6,1 |
| EL | 3,9 | -0,3 | -4 | -0,2 | 1,5 | 1,9 | 1,9 | -9,7 | 7,9 |
| ES | 3,3 | 1 | 0 | 3 | 2,9 | 2,4 | 2 | -9,4 | 7 |
| FR | 1,7 | 0,8 | 1 | 1,1 | 2,3 | 1,7 | 1,3 | -8,2 | 7,4 |
| HR | 4,5 | 0,5 | -0,2 | 3,5 | 3,1 | 2,7 | 2,9 | -9,1 | 7,5 |
| IT | 0,9 | -0,3 | -0,7 | 1,3 | 1,7 | 0,8 | 0,3 | -9,5 | 6,5 |
| CY | 4 | 2,7 | -1,7 | 6,7 | 4,4 | 4,1 | 3,2 | -7,4 | 6,1 |
| LV | 8,2 | -0,5 | 3,6 | 1,8 | 3,8 | 4,3 | 2,2 | -7 | 6,4 |
| LT | 7,6 | 1,1 | 3,8 | 2,6 | 4,2 | 3,6 | 3,9 | -7,9 | 7,4 |
| LU | 2,9 | 2,4 | 2,9 | 4,6 | 1,8 | 3,1 | 2,3 | -5,4 | 5,7 |
| HU | 4,4 | -0,2 | 2,1 | 2,2 | 4,3 | 5,1 | 4,9 | -7 | 6 |
| MT | 2,1 | 2 | 5,7 | 5,8 | 6,5 | 7,3 | 4,4 | -5,8 | 6 |
| NL | 1,3 | 1,4 | 0,7 | 2,2 | 2,9 | 2,6 | 1,8 | -6,8 | 5,8 |
| AT | 1,8 | 1,3 | 1,1 | 2,1 | 2,5 | 2,4 | 1,6 | -5,5 | 5 |
| PL | 3,1 | 4,8 | 3 | 3,1 | 4,9 | 5,3 | 4,1 | -4,3 | 4,1 |
| PT | 0,9 | 0,6 | -0,8 | 2 | 3,5 | 2,6 | 2,2 | -6,8 | 5,8 |
| RO | 5,6 | 2,8 | 3 | 4,8 | 7,1 | 4,4 | 4,1 | -6 | 4,2 |
| SI | 3,6 | 1,9 | 0,4 | 3,1 | 4,8 | 4,1 | 2,4 | -7 | 6,7 |
| SK | 5 | 4,9 | 2,6 | 2,1 | 3 | 4 | 2,3 | -6,7 | 6,6 |
| FI | 2,6 | 0,9 | 0,1 | 2,7 | 3,1 | 1,6 | 1 | -6,3 | 3,7 |
| SE | 2,6 | 1,9 | 2,1 | 2,4 | 2,4 | 2,2 | 1,2 | -6,1 | 4,3 |
| **EU27** | 1,7 | 1 | 1 | 2,1 | 2,7 | 2,1 | 1,5 | -7,4 | 6,1 |
| UK | 2,8 | 0,5 | 2 | 1,9 | 1,9 | 1,3 | 1,4 | -8,3 | 6 |
| JP | 1,2 | 0,1 | 1 | 0,5 | 2,2 | 0,3 | 0,7 | -5 | 2,7 |
| USA | 2,6 | 0,9 | 2,2 | 1,6 | 2,4 | 2,9 | 2,3 | -6,5 | 4,9 |

Source: European Economic Forecast – Spring 2020, Statistical Annex

Each Member State's economic recovery will depend not only on the evolution of the pandemic, but also on the capacity to respond with stabilizing policies. The EU is investing heavily in the stabilization of the Member States' economies, companies and workers. A "Coronavirus Response Investment Initiative" was put in place to mobilize cash reserves in the European Structural and Investments Funds. In the first instance the focus is on investments in the health care systems to allow them to operate under

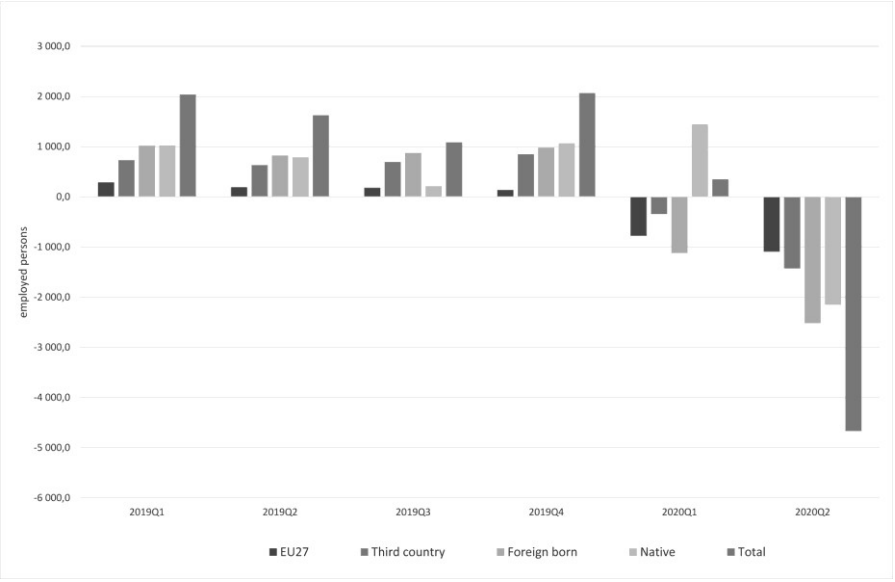
considerable stress, but also on SMEs and people so that their income and consumption levels can be upheld to a large extent, thereby cushioning the negative impact on the economy. The pronounced interdependence of EU economies and the €750 billion economic stimulus plan of the EU should help mitigate the shock from the pandemic. The majority of the 500 measures recorded in Eurofound's COVID-19 EU PolicyWatch database (April 2020) were to keep businesses afloat (35%), to protect incomes (beyond short-time work measures, 20%) and to protect employment (13%). (Weber et al., 2020)

The sectors most affected by the lockdown were tourism and hospitality services, cultural and sports events, transport services including the airline industry, as well as manufacturing. In contrast, health services, in particular intensive care units, reached their limits in many EU-Member States, to the extent that patients had to be transported to other EU-MS, e.g. from Bergamo in Italy and Alsace in France to Germany, to receive adequate intensive care treatment. (Pfitzenmaier, 2020) Germany has the highest density of intensive care units (ICU) in Europe, with 33.9 ICU per 100,000 inhabitants, followed by Austria with 28.9 ICU per 100,000 Inhabitants. The countries most hit by the pandemic in Europe had significantly lower intensive care resources, e.g. Italy (8.6 ICU), Spain (9.7 ICU) and the UK (10.5 ICU), thereby reducing their capacity to help save lives. (OECD, 2020) In these countries which were hardest hit by the pandemic and had limited health care resources, doctors and nurses turned to the streets and demonstrated for more staff, wage rises, and hospital beds. (Morrow, 2020)

The economic downturn in 2020 reduced employment, even though short-time work was introduced in most EU-MS to cushion the blow to employment. In the EU27, employment declined in the second quarter of 2020 vs a year ago by 4.7 million (-2.4%) to 190 million. Migrants represent 11.6% of total employment; they were disproportionately affected by labor shedding. Their employment declined by 2.5 million (- 10.2%) to 22.1 million. In absolute numbers the decline was most pronounced for third country migrants (-1.4 million, -8.7%) but in real terms mobile EU workers were most affected by employment declines (-13.2%, -1.1 million). They represent one third of all migrant workers in the EU27 (7.2 million workers). The impact is most pronounced in tasks that cannot be carried out online (non-teleworkable tasks). (Figure 5)

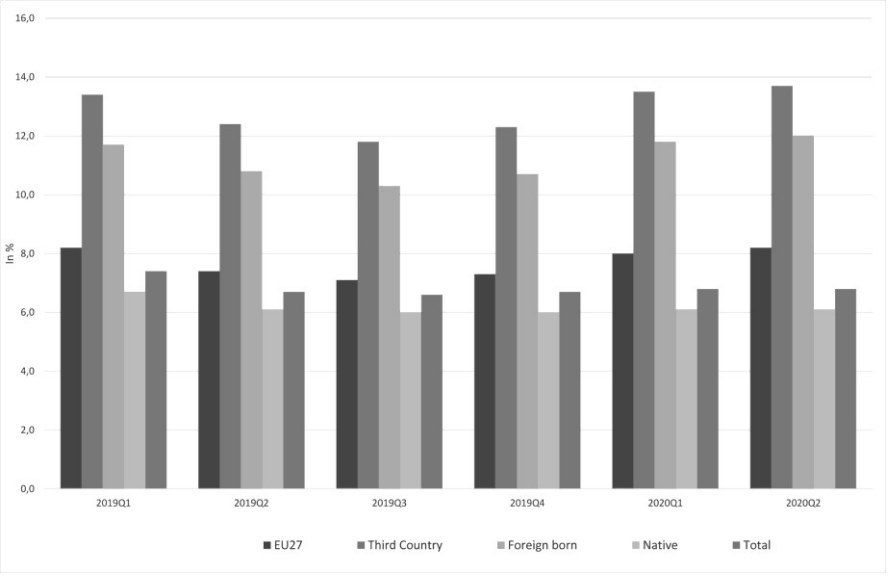
As a consequence, the unemployment rate in the EU27 increased from a low of 6.7% in 2019 to 7.5% by the end of September 2020. The group most affected by the economic downturn were migrants, in particular third country migrants.

*Figure 5: Employment in the EU27 by country of birth, change over year (2019-2020)*




Source: Eurostat (lfsq_egacob)

*Figure 6: Unemployment rate in the EU27 by country of birth: 2018-2020*




Source: Eurostat (lfsq_urgacob)

In the second quarter of 2020, the most recent differentiated data available from Eurostat, the unemployment rate of foreign-born workers rose to 12%, after 10.8% in the second quarter of 2019. The unemployment rate of third country migrants reached 13.7%, after 12.4% in the second quarter of 2019. In contrast, the unemployment rate of native-born workers remained unchanged over that time span at 6.1%. (Figure 6) Youth were particularly affected by unemployment increases. Their unemployment rate rose from 14.8% in August 2019 to 17.8% in August 2020.

At the country level, the hardest hit by the social distancing rules are at the same time the most vulnerable workforce groups, namely youth, older employees, women[11], migrants, the lower-educated, those working longer hours and those employed in micro-sized workplaces. (Pouliakas & Branka, 2020) Simulations carried out by a JRC research team show that the poorest households were also the most severely hit by the lockdown. Their disposable income would fall by 5.9% on average in 2020, in case no policy measures were put in place to alleviate the impacts. (Almeida et al., 2020) That many individuals and families experienced dramatic reductions in income is also reflected in the widespread adoption of initiatives to defer rent, mortgage or loan payments.

The impact of the pandemic and the ensuing lockdown is likely to strengthen the trend towards a widening of income inequality and increased poverty rates within countries and across EU-MS. Research suggests that the social impact of the Corona-Lockdown will be larger than the one experienced during the 2008/2009 financial crisis. (Almeida et al., 2020) It remains to be seen for how long this effect is going to extend into the future.

### The case of Austria

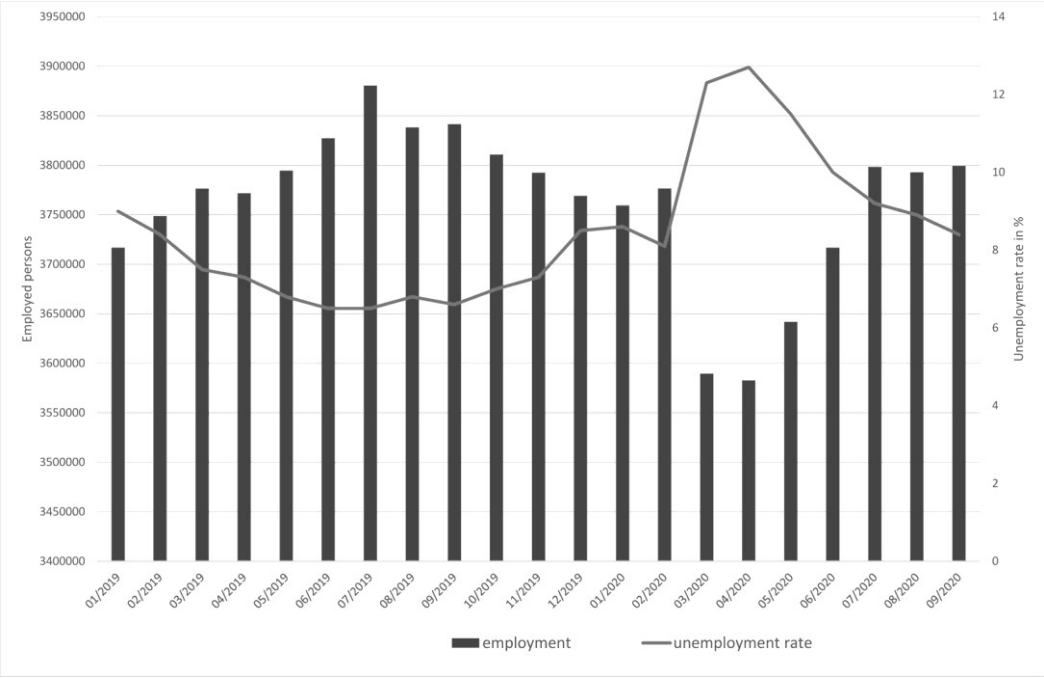
In Austria the fall in employment and the rise in unemployment as a result of Covid-19 began in March 2020. The number of employees declined abruptly by 189,000 or 5% to 3.6 million between April 2019 and April 2020; the number of unemployed increased by more than that, namely by 200,000 or 76%, as labor supply continued to increase.

The groups most hard hit were foreign workers with an employment decline of 10.5% (-82,300) vs a year ago to 705,200 as early as March 2020, compared to a decline of natives by 4% (-105,000) to 2.9 million. The hardest hit were workers from EU-MS in Central and Eastern Europe, the EU10, with employment declines in March 2020 by 17%

[11] Women experienced in addition to the economic and social stress, coupled with restricted movement and social isolation measures, an exponential increase of gender-based violence in most countries. (UN, 2020)

(-38,000) vs a year ago, followed by the EU2 (Bulgaria and Romania) with -10% (-7,000) and third country citizens with -8% (-24,000).

*Figure 7: Declining employment and rise in unemployment rate due to Covid-19 in Austria: 2019-2020*




Source. dnet.at/bali. The national definition of the unemployment rate does not include self-employed in the employment base and takes only unemployed registered with the labor market service into account.[12]

As the corona-infection rates subsided in the summer months of 2020, social distancing rules were loosened, the economy picked up again and so did employment. But still, by the end of September 2020, employment levels were 1.1% lower than a year ago (-42,000); third country citizens continued to be the most affected by employment declines (-2.2%, -7,000 vs year ago), followed by EU10 migrant workers (-1.5%, -3,600 vs 2019), while migrants from the EU15 and EFTA countries as well as Croatia experienced clear increases vs 2019 (+2%; Croatia+13%). These latter groups of migrants are more

[12] This calculation is based on administrative data rather than household survey data, the latter being the data source for the EU-unemployment rate.

than proportionately highly skilled and tend to work in economic sectors less affected by the economic shutdown. Many of them can work from home.

Third country seasonal workers in tourism saw a significant decline in employment in 2020, accounting for a large component of the decline in employment of third country citizens. But restrictions on immigration also hampered the inflow of third country migrants, particularly students of higher education, largely the effect of travel restrictions imposed by countries of origin.

Under these circumstances it may come as a surprise that the number of seasonal workers in agriculture did not decline but increased, even though unemployment was on a steep upward curve. This goes to show that migrant farm labor cannot be easily substituted by domestically available workers, just as in US agriculture. The working conditions including wages and working hours may be part of the explanation, the skills and education and training required another, and the facilitation of inflows as farm workers were declared essential workers a third aspect.

The unemployment rate, calculated on the basis of administrative data (excluding self-employed in the labor force base), increased abruptly in March 2020 to 12.3%, after 8.1% (seasonally adjusted) in February 2020. Foreign workers were particularly hard hit with a rise to 20.1%, after 11.7% in February. In April the unemployment rate peaked at 12.7%, (foreign workers 20.9%) but declined thereafter to eventually 8.4% (foreign workers 12.3%) September 2020.

Austria was flying in Eastern Europeans for harvesting, largely Romanians – keeping the system of seasonal work alive despite the crisis. In addition, care-workers were flown in from Bulgaria, Croatia, and Romania. Whereas two years ago the then right-wing Austrian government introduced measures that reduced the family allowance of many of these Eastern European workers, now there were bonus payments for care-workers who were prepared to stay longer.

In response to the challenges of Integration flowing from the corona-pandemic, the expert council on the integration of migrants (to the Minister of Integration in the Federal Chancellery) drew up a policy brief, suggesting steps to improve the labor force participation of migrants and thereby stabilize their income. (Expert Council on Integration, 2020) Building on the lessons learned from corona, namely that this pandemic accelerated digitalization and the implementation of automation in work processes, up- and re-skilling of low-skilled migrants has become more important than ever. In

addition, the enhancement of the labor force participation of female migrants, above all of the more recent refugee inflows, should receive particular attention. The dearth of health care workers in the domestically available labor force, which became apparent in the current corona crisis, could be alleviated by facilitating and promoting the education and training of migrant women. Many of them have acquired competences in this occupation informally in their home countries and could have their competences upgraded fairly quickly. Another group of migrants currently under severe economic pressure are older migrants with low education levels but competences in farming. With the support of technical equipment of the kind implemented in California they could help alleviate labor scarcities in agriculture and at the same time reduce the need for federal and state income support measures for this group of migrants. These suggestions have been taken up by the current minister of Integration and implemented in the second half of 2020.

## Conclusions

The COVID-19 pandemic has radically transformed the lives of people around the world, with devastating health consequences for those affected directly and those whose lives and work were altered. Measures to reduce physical contact reduced economic activity and increased unemployment, and migrants with little education were among those most adversely affected.

The full impact of the pandemic on employment and jobs is not yet clear. Government short-time work stimulus, and other policies aim to preserve employment in the short term. A wide range of longer-term changes may transform the world of work, as more professionals and many service workers perform their jobs from home rather than commute to offices. A future of more remote work could mean more investment in homes and less in center cities, which could mean the disappearance of essential jobs that range from restaurant workers to security guards to janitors.

Migrant workers who once found jobs in center cities may increasingly find jobs building and repairing homes away from city centers, which may make them more visible in smaller communities and perhaps further from integration services. Migrants are likely to remain concentrated at the top and bottom of the job ladder, overrepresented among professionals in health care and among farm workers, but their status in the world of work may be changed forever by the pandemic.

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# CONCLUSIONS

Europe has 10 percent of the world's people, 30 percent of the world's migrants, and 60 percent of the world's social welfare spending. The challenge posed by the arrival of millions of mostly low-skilled foreigners with limited social networks in Europe is how to integrate them and their families successfully. The default option is to expand social welfare programs to upgrade the skills of migrants so they can move into regular jobs that satisfy EU standards for wages and benefits. The US provides a contrast: migrants find it easy to access jobs in the US, but more difficult to access welfare services.

The EU experience with newcomers over the coming decade will test the validity of the assumption that there is a trade-off between migrant numbers and migrant rights. Migrant rights, including access to welfare benefits, have costs that are often borne by taxpayers in societies that redistribute from richer to poorer residents. In the case of low-skilled guest workers expected to leave after a year or two of work abroad, there is a clear trade-off between numbers and rights, as illustrated by the high share of low-skilled migrants in Gulf oil exporters and the low share in Scandinavian countries. The trade-off may be less clear when the newcomers are intending settlers, but finding the optimal trade-off between work and welfare is a challenge on both sides of the Atlantic.

The papers in this volume were written before the Covid-19 outbreak in March-April 2020. With Covid-19 testing the resilience of health systems, governments required non-essential businesses to close and provided support to closed businesses so that they could continue to retain workers on their payroll. However, unemployment rates nonetheless rose in both the EU and the US, and may remain high as some businesses that were required to close temporarily do not reopen, and other firms accelerate plans to replace workers with machines.

Covid-19 is likely to accelerate trends already underway in labor markets, including remote work and automation, benefitting professionals with less commuting and travel and leaving fewer jobs for less-educated and skilled workers. Some analysts expect a "K-shaped" recovery in the labor market which sees the fortunes of some improve and of others decline; the winners will be professionals while low skilled workers will fall further behind. The growth of inequalities of income and opportunities calls for appropriate policy action. The speed of adoption of automation and digitalization in everyday work and life has been accelerated by the Covid-19 pandemic. In this digital era it is important

that people will be supported if they lose out and helped in their quest for new and better opportunities.

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