POLICYBRIEF

European Commission

SIRIUS
Skills and Integration of Migrants, Refugees and Asylum Applicants in European Labour Markets

LABOUR MARKETS, POST-2014 MIGRANTS AND REFUGEES IN EUROPE: EVIDENCE AND THOUGHTS FOR BETTER INTEGRATION

INTRODUCTION

The capacity for labour market opportunities to ensure the economic and social 'inclusion' of people within society holds true for host populations as well as migrants, refugees and asylum seekers (from this point on, unless specified, we shall use the acronym MRAs). Regardless of one's migrant or native status (by native we mean people residing in their country of birth and nationality), employment provides income, social identity, social connections, and it enables individuals to contribute to the growth and prosperity of the country through consumption and taxation.

However, the integration of MRAs via labour markets is not a straightforward task, due to the specific issues relating to migration and refugee/asylum statuses, but also due to the extent of heterogeneity apparent across contemporary labour markets in Europe. This heterogeneity (in economic structure, sectorial composition, labour force and demographic features, etc.), combined with the substantial, but also uneven, impact of the wider economic crisis on European labour markets, has created a highly differentiated economic and social environment across countries.

Building on such premises, SIRIUS understands the labour market integration of migrants, asylum seekers and refugees as being dependent on a pattern of concurring circumstances and features located at different analytical levels: at the macro (state, sub-state and supra-state), at the meso (intra-societal), and at the micro (individual) levels.

In this policy brief we present evidence and policy considerations about the 'macro' dimensions of integration by scrutinizing the characteristics of post-2014 MRAs along with the economic drivers of the SIRIUS economies (the Czech Republic, Denmark, Finland, Greece, Italy, the United Kingdom and Switzerland) and their labour markets determinants. We focus on post-2014 MRAs given the peak in migration and asylum figures Europe has experienced in 2015 and 2016.

The findings of this policy brief are structured around two pillars. The first pillar involves the characteristics of the MRAs (including EU nationals living in another EU member state) in the SIRIUS economies and how these characteristics might affect employment opportunities of the post-2014 arrival of MRAs to Europe. The second pillar involves an analysis of the labour structure of the SIRIUS economies which uncovers the inherent labour market characteristics and the main factors that shape the labour market dynamics in each economy.

The main findings concerning the first pillar are:

- In all SIRIUS countries, MRAs are concentrated in the 15-64 age group: Therefore, from a demographic viewpoint they provide a relevant base for labour market recruitment, significant potential for the education sector as well as for current and future social security contributions. Moreover given that the share of MRAs aged 15-64 outnumbers the share of the same age cohort in the native populations, migrants, refugees and asylum seekers contribute reducing the proportion of the inactive population (children and elderly).

- MRAs are unevenly distributed across our case countries: among the SIRIUS countries, Switzerland, Denmark and the UK present the highest share of foreign nationals to total population for the period 2008-2016 while the Czech Republic and Finland have the lowest shares.

- Among the SIRIUS countries, the United Kingdom, Switzerland and Denmark have also the highest net migration rate (net migration balance per 1,000 persons) over the period 2014-2016 while the Czech Republic and Greece have the lowest.

- Post-2014 asylum seekers are unevenly distributed across countries: among the SIRIUS countries Finland, Switzerland and Denmark record the highest number of first time asylum seekers (per 1000 inhabitants), over the 2014-16 period while the Czech Republic and the UK recorded the lowest number over the same period. Switzerland, Denmark and Finland have also recorded the greatest increase in positive first instance decisions on asylum applications, over the period 2014-2016, compared to the 2008-2013 period.

- There is heterogeneity in terms of MRAs across the SIRIUS case countries when educational attainment levels are considered. Switzerland, Denmark and the UK have higher than EU28 average, and the highest value among the SIRIUS countries, of foreign nationals with tertiary educational attainment level as opposed to Greece and Italy which have more foreign nationals with lower educational attainment levels (Levels 0-2) not only among the SIRIUS countries, but also compared to the EU28 average. This uneven distribution could result from countries' different approaches to migration, as some favour more higly educated migrants, limiting access for those with lower levels of education. However, stocks of MRAs with different educational levels mean diverse integration needs and opportunities.

- Case countries present different levels of MRAs employment rates: Switzerland, the UK and the Czech Republic have the highest MRAs employment rates compared with the rest of the SIRIUS economies.

- The gender gap in employment characterizes most of the SIRIUS case countries. Apart from a few exceptions (namely Denmark and Finland) the labour markets of the SIRIUS case countries remain dominated by the male breadwinner model: this means that female MRAs face a far more challenging environment than men when searching for an occupation (gender inequality in terms of access to the labour market is stronger in Greece, Italy and the Czech Republic).

- The level of educational attainment and the gender of MRAs play a key role in predicting their employment prospects: male and highly educated MRAs have higher chances of being integrated in the SIRIUS labour markets. In other words, educational attainment is the strongest predictor of employment for MRAs across all economies. Therefore, even in less tertiarised

countries, the more that a migrant, refugee or asylum seeker is educated, the greater is their prospect of finding employment. This, therefore, suggests that a higher level of education provides MRAs with competences and skills that allow them to integrate into any type of economic context: having been educated at an advanced level facilitates their learning of a new language, eases their capacity to read and interpret the social and economic environment, as well as to use IT instruments to gain information about jobs, but also to join useful networks.

Next, the main findings in terms of the second pillar (labour market structure and characteristics of the SIRIUS economies) are:

- Sectoral capacity to provide employment in all SIRIUS economies was statistically, significantly and positively associated with the level of educational attainment of employees/workforce. A more educated workforce contributes increasing sectors' innovation and therefore production capacity which, in a competitive market economy, in turn leads to new employments. Therefore, countries with higher than EU28 average shares of MRAs with tertiary educational levels (such as the UK, Swizterland and Denmark) take benefit from such highly educated migrant-based workforce.

- The level of sectoral labour cost does not affect - in a statistically significant manner - the evolution of labour dynamics in most of the economies of SIRIUS with the exceptions of Greece and Finland. In other words, salary levels do not determine employment capacities across the economy sectors, product quality matters more than labour costs. Therefore, fears of wage dumping effects brought in by migrants should be mitigated, while MRAs skills and capacities should be considered as assets to be used to improve output quality.

- Investments in Research and Development have a positive impact for the creation of employment opportunities in the most tertiarised economies (e.g. the UK, Switzerland, Finland) whereas for Italy the effect is a negative one, most probably due to the use of innovation to replace existing workforces (in a manufacture led economy, with relatively cheap labour, innovation brought in by research and development does not reflect in the creation of jobs in the short period).

- The economically active part of the population of the SIRIUS countries varies widely: it is high in Switzerland and relatively low in Italy and Greece. Moreover, although in general the activity rate is higher among men compared to women, the gender activity gap is small in Denmark, Finland and Switzerland, and larger in Italy and Greece. Although men have higher activity rates than women at every level of educational attainment, the gap diminishes as the educational attainment level increases, for all of the examined countries.

- Although the average unemployment rate of the EU28 has returned back to its 2000s levels (after an increase due to the 2008 - economic and financial crisis), differences among countries do persist. In 2016, among the SIRIUS countries, the Czech Republic, the United Kingdom and Switzerland had very low unemployment rates while the unemployment rate in Greece remained persistently above 20% (the highest in the EU28) and in Italy above 10%. Therefore, our analyses confirm that the crisis has left a damaging legacy in some of the countries, while the impact of the economic and financial crisis was limited in some countries, while others have managed to reduce their unemployment rates to pre-crisis levels.

- There is a converging trend across the case countries towards labour markets whose workforce is more and more educated: workforce with primary educational attainment level has declined over time, and a similar decline can be identified for that share of the workforce with secondary educational attainment but at a slower rate, while the share of employees and workers with tertiary educational attainment level shows a higher growth rate.

- Such a converging trend takes different shapes across SIRIUS countries. Italy and Greece report higher shares of primary educational attainment levels among their workforce and the Czech Republic and Finland lower ones. The Czech Republic shows a labour force with very high shares of secondary educational attainment levels, but also very low shares of tertiary levels. Finland, the United Kingdom and Switzerland are the countries with significantly higher shares of tertiary educational attainment levels in their total employment.

- Due to the high diversity of the labour markets and the economic structure of the SIRIUS case countries, different sectors and occupations are expected to effectively absorb the MRAs. The

Czech Republic is the only country with a higher than EU average share of employment in the manufacturing sectors, and similar occupations. However, among SIRIUS countries, Greece has the lowest share of employment in manufacturing sectors and the highest in primary sectors, with specialization in primary and services sectors. The Italian economy presents a relatively high share of its employment in the manufacturing and market related services. Finland has a diversified employment structure, similar to the EU28 average, with specializations across a broader range of sectors and occupations. In contrast, the economies of Denmark, the United Kingdom and Switzerland present higher than the EU28's average shares of employment in the services sectors (market and non-market related), with specialization in tertiary sectors and the related occupations.

POLICY IMPLICATIONS AND RECOMMENDATIONS

Building upon the two pillars' main findings the most relevant policy implications are:

- Given the uneven economic and labour market landscapes across Europe, and in particular the very different unemployment rates, opportunities for the labour market integration of MRAs vary substantially among countries. Countries with a more vibrant economic situation (namely Denmark, Finland, Switzerland and the UK) should increase their potential for integration as they are more likely to provide employment than countries such as Greece and Italy, where the economy still struggles to cope with the legacy of the financial crisis and structural financial-economic deficits. Therefore, additional efforts are required from the EU and its Member States at better coordinating respective countries' labour needs. A more informed and coordinated cross-European labour market capacity that takes into account the potential workforce contribution of MRAs could also tackle irregular work and manage secondary movements (intra-EU movement of MRAs).

- Countries like Italy and Greece that have higher than average MRAs' shares with lower educational attainment levels, and whose economy relies on 'traditional' sectors such as manufacture (Italy) and the primary sector (Greece) should focus their integration policies in the development of further opportunities. In this context, at a first step, these countries should focus on providing training that would alleviate the language barrier, since the language barrier is one of the most important factors for integration. In addition, targeted vocational training programmes that would actively aid MRAs to the development of specific skills that are in demand in each economy's labour market should be developed. These vocational programmes would significantly augment the integration opportunities of MRAs in specific sectors of each economy that could absorb labour.

- Countries like the UK, Switzerland, and Denmark, with higher than average MRAs' shares with higher/tertiary educational attainment levels, and whose economy relies on services and knowledge-based and innovation-led sectors, should make the most out of their large shares of educated MRAs workforce by facilitating degrees and skills recognition.

- There should be further policies specifically targeting MRAs women integration into the labour market, in particular in countries such as the Czech Republic, Greece and Italy where the gender gap is still large (and not only for MRAs, but also for native). Concerning women MRAs, such policies should encourage the recogniton of skills and education, while with regard to both MRAs and native women, these countries should improve their provision of child and elderly care services to ease women's entry into the labour market. Further effort is also encouraged in the provision of secondary and higher education programmes devoted to women, as well as vocational education and training opportunities, given that our evidence suggests that education is the most important factor mitigating gender-based discrimination in the labour market (for both, MRAs and native).

- Educational attainment is a key predictor of employability in all countries for both native and MRAs. Moreover, a highly educated workforce is a positive predictor of a country's economic performance. Countries such as Greece and Italy with lower shares of highly educated workforces and a less tertiarised and innovation-based economy should make additional efforts to increase

their innovation-driving policies, along with further efforts to increase their share of the workforce (both MRAs and native) possessing further or higher education levels.

- The sectoral labour cost is not significantly related to the labour dynamics of those SIRIUS economies characterized by low unemployment, i.e. Czech Republic, Denmark, Switzerland and the UK. Therefore the integration of MRAs into these labour markets will likely not affect their overall sectoral wage structure. On the other hand, the fact that sectoral wages affect - in a statistically significant manner - the labour dynamics in Greece, where unemployment remains at a two-digit level, points to the need for the Greek authorities to avoid wage-led competition between native and migrants. Therefore, they should monitor and improve the regulation of employment in sectors more exposed to irregular occupation.

- Because the educational attainment levels of MRAs play a key role in predicting their employment capacity, our analyses point to the need for the creation of a platform at Member States and the EU level that would enable MRAs to have their education, and eventually qualifications and skills, profiled and accredited in line with the EU regulatory framework. Such a platform could offer the opportunity for MRAs to receive an accreditation through examination processes that would take place either remotely (via MOOC) or in person in European universities or in specific accreditation institutions.

- There should also be further opportunities for mutual learning among countries: for example, Denmark, Switzerland and the UK - which are the economies with the most heterogeneous sectoral labour forces in terms of nationality, are also the economies with the highest migration surplus (when migration inflows outnumber outflows) per 1,000 inhabitants. Therefore, best practices eventually emerging from these countries will be analysed and reported in future policy briefs to contribute offering a mutual learning opportunity.

RESEARCH PARAMETERS

The main objective of this stage of the SIRIUS project was to assess labour market characteristics in each of the project's economies so as to investigate whether the various countries have the capacity to absorb the post-2014 arrival of MRAs. In this context, an investigation of the factors that affect the labour market dynamics was conducted, where the key sectors and occupations in each labour market were uncovered. To do so, Panel data and Dynamic Panel data were employed, for uncovering the statistically significant factors that affect the labour dynamics in each economy, and index analysis was conducted in order to reveal the key sectors and occupations in each economy.

Furthermore, the characteristics of the post-2014 MRAs in the SIRIUS countries were also analysed to discuss whether they contribute either positively or negatively towards MRAs employment opportunities and therefore to their integration in the respective labour markets. In this context, we statistically assessed the post-2014 MRAs flows compared to those MRAs who were already part of the labour market of each economy, and using a probabilistic Panel Data model we assessed how the characteristics of MRAs affect their probability of being integrated into the various labour markets.

PROJECT IDENTITY

PROJECT NAME   Skills and Integration of Migrants, Refugees and Asylum Applicants in European Labour Markets (SIRIUS)

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FUNDING SCHEME	Awarding body: European Union, Horizon 2020 Research programme H2020-SC6-REVINEQUAL-2017 Project reference: 770515
DURATION	January 2018 – December 2020 (36 months).
BUDGET	EU contribution: 2 500 000 €.
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FURTHER READING	WP1 Report – Labour Market Barriers and Enablers – Comparative report on the position of post-2014 migrants, refugees and asylum seekers in the labour market (available on https://www.sirius-project.eu/publications) WP2 Report – Legal Barriers and Enablers – Comparative report on the legal, institutional and socio-cultural analysis (available on https://www.sirius-project.eu/publications)