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## Integrating Refugees into the Labour Market - Where Does Germany Stand?<sup>1</sup>



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In 2015 and 2016, Germany experienced humanitarian immigration on an unprecedented scale, registering roughly 1.2 million asylum claims. Previous recognition rates for major countries of origin suggest that an estimated 700,000 of these claimants are likely to receive international protection and will, as a result, be allowed to stay in Germany.<sup>2</sup>

Integrating these newcomers into the labour market will pose a major challenge in the years ahead. Evidence from a special module in the 2014 European Union Labour Force Survey suggests that refugees<sup>3</sup> in the past took up to 20 years to reach the same employment rates as native-born Europeans (see Figure 1).

This is an emerging issue for Germany. In June 2017, refugees and asylum seekers already accounted for over one in ten job-seekers (Bundesagentur für Arbeit, 2017), and this figure is expected to grow further. This does not come as a surprise. Compared with other migrant groups, refugees tend to face greater difficulties in finding employment. They usually arrive with a weak, or inexistent attachment or link to the host country and its labour market and have obtained their skills in a very different context. In addition, due to the forced nature of their migration, they often lack proper documentation to certify their level of education or skills; and many suffer from physical and mental health issues. In addition, a large share of refugees lack basic education, particu-

larly if they come from countries with long and protracted conflicts.

To remedy these multiple disadvantages, a clearly targeted, well-coordinated and comprehensive integration policy response is vital. OECD work has shown that early intervention is crucial, which includes language training and upskilling measures, and that early labour market integration is a key predictor of future outcomes in the long-run. It is also essential to implement tailored solutions that account for the diversity of refugees, and to effectively co-ordinate different measures (see OECD 2016). At the same time, employers need to be engaged since ultimately, they take the decision of whether to hire refugees.

### PROVIDING ACTIVATION AND INTEGRATION SERVICES AS SOON AS POSSIBLE

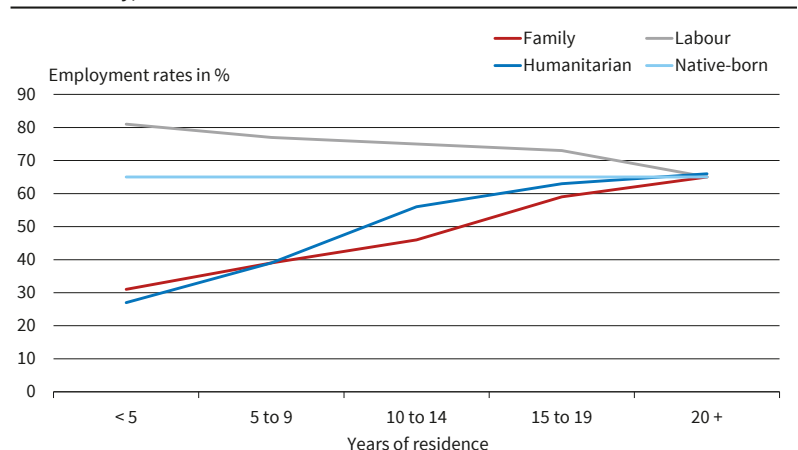
Early intervention is crucial for long-term integration outcomes. A key issue relates to the access of asylum seekers waiting for the outcome of their procedure to integration measures, particularly when those procedures are lengthy. Where this is the case, this group faces the risk of waiting months, if not years, before receiving language training and other support, thereby delaying their integration process.

Germany has in recent years undertaken considerable efforts to facilitate the early integration of this group, notably by opening its main policy tool – the Integration Courses – up to asylum seekers with very good prospects of being allowed to stay in Germany. In 2016, asylum applicants from Eritrea, Iran, Irak, Somalia and Syria benefitted from this policy. The early focus on German language training is vital from a labour market perspective. Figure 2 documents that refugees with an intermediate knowledge of German have considerably higher employment rates (65%) than those who have only basic German language knowledge (28%).

A recent employer survey conducted by the OECD jointly with the German Association of Chambers of

Figure 1

Employment Rate of Immigrants by Reason for Migration and Years of Residence in Host Country, 2014



Source: EU-OECD (2016).

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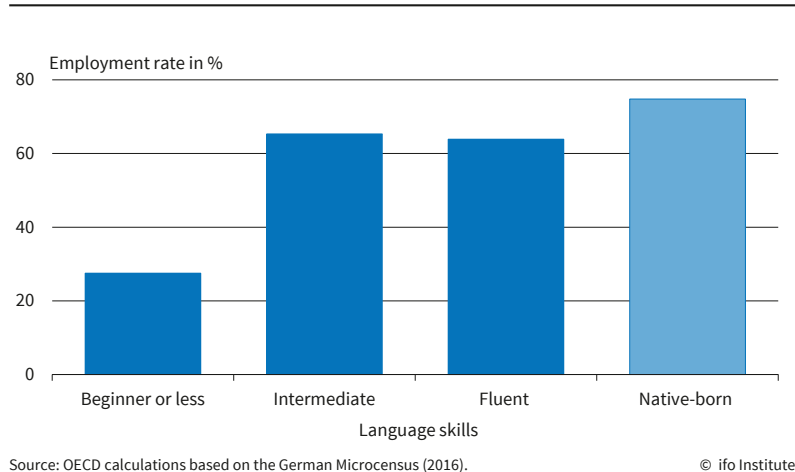
<sup>1</sup> This article is based on key findings from the OECD reports: OECD (2017), Finding their Way. Labour Market Integration of Refugees in Germany, OECD Publishing, Paris. <http://www.oecd.org/els/mig/Labour-Market-Integration-Refugees-Germany-2017-de.pdf> and OECD (2016), Making Integration Work: Refugees and Others in Need of Protection, OECD Publishing, Paris. DOI: <http://dx.doi.org/10.1787/9789264251236-en>. Any additional opinions expressed or arguments employed herein are solely those of the authors and do not necessarily reflect the official views of the OECD or its member countries.

<sup>2</sup> Between January and June 2017, around 100,000 new asylum applications were lodged, partly reflecting the administrative backlog in processing cases. Over the same time period the number of newly arrived migrants declaring at the border that they wish to apply for asylum fell sharply and totaled approximately 90,000 persons.

<sup>3</sup> The terms 'humanitarian migrant', 'refugee', and 'persons in need of protection' are used interchangeably in this article.

Figure 2

### Employment Rate of Past Refugees in Germany by their Level of Language Skills, 2014 Age 15-64



Commerce and Trade (DIHK) and the German Ministry of Labour and Social Affairs (BMAS) confirms the importance of German language knowledge in the German labour market. Approximately half of the respondents expect at least good German language skills, even for low-skilled jobs (OECD 2017a). This share reaches 90% for medium-skilled jobs.<sup>4</sup>

To ensure that the many recent arrivals will be able to access language training swiftly it is important to further extend the availability of Integration Courses. While Germany has significantly augmented the number of available spots, a large unmet need remains: Of the 560,000 persons who became eligible to participate in 2016, only 360,000 actually started a course in that year, leaving 240,000 waiting. This is a conservative estimate, as among those who started a course in 2016 some are likely to have become eligible before 2016.

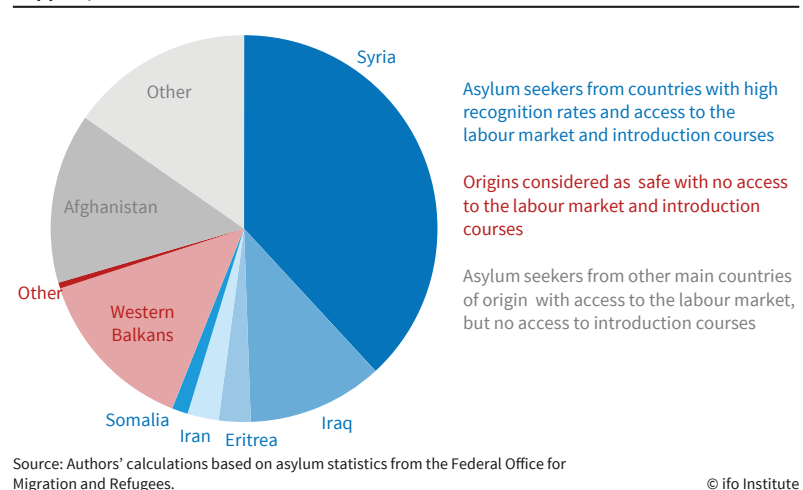
### FACILITATING EARLY ACCESS TO THE LABOUR MARKET

Early labour market integration is a key determinant of future labour market outcomes, and legal access to the labour market is a precondition for this to happen. Indeed, many refugees are highly motivated to enter the labour market quickly. Prolonged absences from the labour market also entail a depreciation of skills, which – combined with gaps in employment history – can produce severe scarring effects later on. In recent years,

Germany has considerably relaxed labour market access conditions for asylum seekers, such that asylum seekers – except those from origin countries considered “safe” – can now obtain labour market access after just three months if certain conditions are satisfied. This is among the more liberal regimes in the OECD (see OECD, 2016a for an overview of the waiting period for labour market access in OECD countries). A significant number of persons have benefitted from the new rules: in 2016, the German Federal Employment Agency approved 85,000 requests for employment permits for asylum seekers. Together with the access to integration courses for asylum seekers outlined above, the following picture emerges in terms of early integration (Figure 3).

These changes are an important step in the right direction and show that Germany has learned from past experiences in the early 1990s. At that time, there were few integration offers and humanitarian migrants from Yugoslavia were largely excluded from the labour market for many years, making it harder for them to integrate later on. Nevertheless, some challenges remain; for instance, it may still be relatively complex for employers to obtain a work permit for asylum seekers. In the majority of cases, both the Federal Employment Agency and the local immigration office have to approve employment requests and the latter enjoy substantial discretion in this regard. More information about the grounds on which local immigration author-

Figure 3  
Asylum Seekers in Germany by Origin and Access to Labour Market and Integration Support, 2015 and 2016



<sup>4</sup> The survey is not representative and includes responses from approximately 2200 German employers.

ities decide would render the process more transparent for employers.

### SUPPORTING EMPLOYERS IN TRAINING AND HIRING REFUGEES

Employers play a key role in integrating humanitarian migrants into the labour market. In the end, it is their willingness to hire and train refugees that determines whether refugees have the capacity to become fully autonomous members of their host societies. Against this backdrop, it is vital to create conditions that encourage employers to harness refugees' skills potential.

One of the main principal obstacles frequently encountered by employers who intend to hire asylum seekers, tolerated persons or persons benefitting from subsidiary protection - a rapidly growing group - is legal uncertainty regarding the person's status and prospects of remaining in the country. In the OECD employer survey, almost 70% of employers cited this as a problem (OECD 2017a). Germany has addressed this issue with a new scheme, the '3+2 regulation', which, under certain conditions, entitles asylum seekers and tolerated persons who are in vocational education and training to remain in the country for the duration of their training (three years). After this period, they may stay for another two years on condition that they find employment corresponding to their level of qualification. This regulation not only improves legal certainty for employers, but also creates a strong incentive for VET<sup>5</sup> students to finish their training. However, for the time being, it does not explicitly cover persons benefitting from subsidiary protection and has not yet been implemented consistently nationwide.

Another issue often cited by employers is the need for longer-term support beyond the hiring process. A case in point is the provision of vocation-specific language training during employment. Vocation-specific language training tends to be the single most effective type of language training in terms of improving labour market outcomes. Indeed, three out of four of the German employers who participated in the OECD-DIHK-BMAS employer survey consider this a "very important" measure, suggesting a need to further extend the available offer, ideally directly on-the-job (OECD 2017a).

In response to the crisis, Germany has increased the number of spots in vocation-specific language training

to 175,000 for the year 2017, versus 29,000 in 2016 and 24,000 in 2015. Professional mentoring programmes could complement these efforts and further assist employers with the integration of refugees in a specific job-segment. Across the OECD, such schemes are still relatively rare, but are gradually developing in countries like Austria, Norway and Switzerland, where they are part of active labour market policies. In Canada, they can be a component of bridging programmes for migrants with foreign qualifications who need to fill specific skill gaps to have their degrees recognised in the host-country (OECD 2017b).

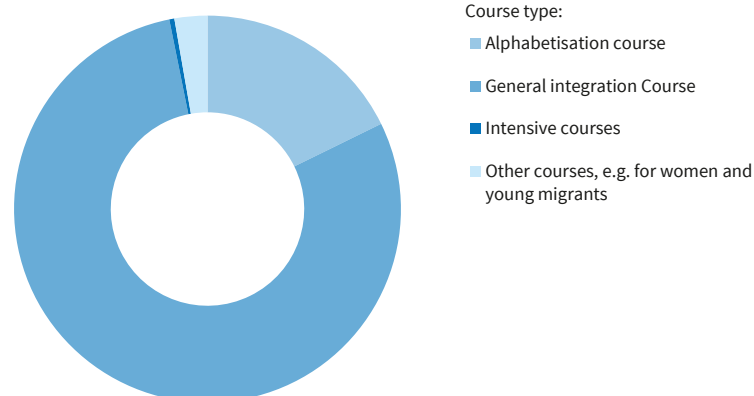
### DEVELOPING TAILOR-MADE INTEGRATION PATHWAYS

Inflows of humanitarian migrants have become more diverse in recent decades, not only in terms of countries of origin, but as far as their education levels, family situations and resources are concerned. Data from Germany suggests that 17% of the persons who filed an asylum claim in the first half of 2016 were highly educated, while around 20% only had basic education and a further 10% had no formal education at all (Neske und Rich 2016). This diversity in individual profiles makes integration challenging. There is no "one-size-fits-all" integration trajectory. Instead, integration offers increasingly have to factor in refugees' skills, their educational background and family situation and cover a range of measures that differ in type and length.

Over the past two years, Germany has significantly diversified its integration offers for new arrivals. For example, the number of language courses for illiterate persons have been increased and accounted for 17% of all courses in the first half of 2016 (see Figure 4). At the other end of the skills spectrum, however, there are only very few offers for highly skilled persons as of now. Similarly, there are few courses only for groups with

Figure 4

Participation in Integration Courses  
January–September 2016



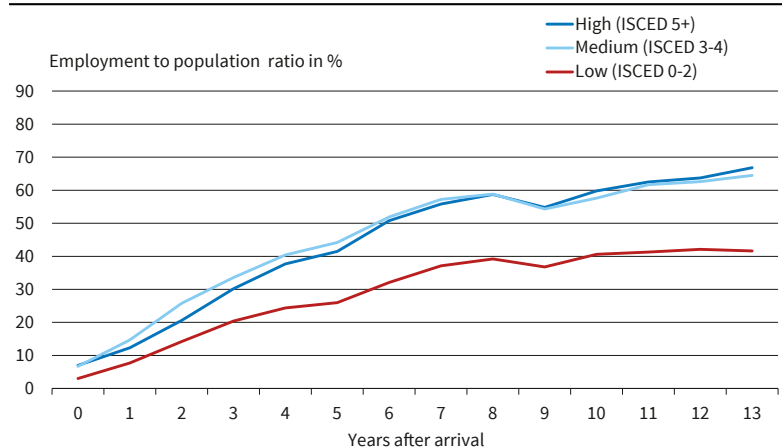
Source: Federal Office for Migration and Refugees (2016).

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<sup>5</sup> VET stands for vocational education and training.

Figure 5

### Employment Population Ratio of Refugees and Accompanying Family by Duration of Residence and Education, 2014 (Cohort Arriving in 2000)



Source: OECD (2016b); Data from Statistics Sweden.

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specific needs like parents, young migrants and unaccompanied minors.

Ideally, tailor-made offers go beyond the provision of language training and combine language learning with professional training in a long-term perspective. Offers of this kind are still limited and need to be expanded and adjusted to meet individual needs. An example of such offers are preparatory traineeships prior to vocational education and training, which can be combined with language training. In November 2016, a total of 3,200 persons participated in preparatory traineeships, of which 30% were asylum seekers or refugees.

For poorly-educated refugees — especially for those lacking basic qualifications — labour market integration is often a long-term process. Data from Sweden, for example, show that less than 30% of poorly-educated refugees were in employment five years after their arrival in the host country (Figure 5).

In the Scandinavian countries, integration programmes of two to three years duration combine language and professional training and/or long-term adult education. In Germany, a range of initiatives have been developed with a view to providing refugees with an opportunity to obtain work experience in the German labour market. However, for low-skilled refugees, a longer-term perspective is needed, with a view to achieving employability and this should combine language and professional training. Low-skilled women with little or no work experience are a particularly important group in this regard, since their labour market outcomes tend to be particularly poor. At the same time, improving their integration is likely to convey significant benefits, including in terms of better outcomes for their children.

The results of the OECD-DIHK-BMAS employer survey also suggest a need for targeted upskilling measures for low-skilled refugees: Employers who have hired asylum seekers and refugees in the past reported

to have mainly recruited refugees into low-skilled positions, but stated that future needs would rather be in the skilled and highly skilled job segment (OECD 2017a).

### IMPROVING COORDINATION AMONG ALL RELEVANT STAKEHOLDERS

Across the OECD, integrating refugees and asylum seekers into the labour market is a cross-cutting issue that involves a wide range of stakeholders such as different levels of government and different branches therein, as well as social partners, service providers

and civil society organisations. Ensuring that these actors work together efficiently is a challenge that is not unique to Germany, but its federal structure adds a layer of complexity.

Another particularity of the German context is the fact that the institutional responsibility for labour market integration is split among the Federal Employment Agency (BA), which is in charge during the asylum procedure, and the Jobcenters, who take over once an asylum seeker obtains international protection. This change in responsibility entails certain difficulties, including problems in the transmission of relevant data and information on language training or other preparatory integration measures that a person has started during the asylum procedure.

To ensure continuity in the integration pathway, it is important to track and communicate what kind of integration activities were already undertaken and with what outcome. Countries with register systems — like the Scandinavian countries — do not face this issue as strongly. They attribute a personal identification number to each person — both immigrants and native-born — which links the different administrative registers and thus provides a broad range of information including residence status, education, employment and participation in programmes.

In Germany, data exchange between different government agencies is slowly improving following legal changes in early 2016, which enabled a broad range of stakeholders, including the BA, Jobcenters and health and youth services, to access and feed into the Central Register of Foreign Nationals (AZR). The AZR stores administrative information on foreigners, including on education and professional background and language skills. Currently, however, the register only provides such detailed information for a small share of new arrivals and the question remains whether having two separate agencies in charge of labour market integration for asylum seekers and refugees is desirable and

efficient. Recent initiatives in some of the federal states to set up one-stop shops for labour market integration, which bring together multiple actors under one roof, including the BA and the Jobcenters, are a positive development and would merit expansion.

Another domain in which coordination needs to improve is language training, which is under the auspices of the Federal Office for Migration and Refugees. Both integration courses and vocation-specific language training are coordinated by a network of regional coordinators, but a single co-ordinator can be in charge of thousands of course participants. To ensure that language training is well-aligned with labour market needs, jobcenters should also be involved in the planning and coordination of language training.

### CONSIDERING EMPLOYMENT PROSPECTS WHEN DISPERSING ASYLUM SEEKERS AND REFUGEES ACROSS THE TERRITORY

Local labour market conditions are an important determinant of future labour market outcomes (Aslund and Rooth 2007). In areas where jobs are readily available, refugees will integrate easier and faster. In most OECD countries, however, dispersal schemes mainly seek to ensure an even distribution of asylum seekers and refugees and of the financial burden related to their reception. Refugees are often dispersed to areas with available housing – which usually do not coincide with attractive labour market conditions. Only a few OECD countries like Sweden and New Zealand consider local labour market conditions and employment prospects in their dispersal schemes (see OECD 2016a for an overview of dispersal criteria for asylum seekers and refugees).

In Germany, asylum seekers are allocated across the federal states based on tax revenue and population size, but the resulting distribution de facto mirrors population size. The subsequent allocation to the municipalities takes place at the discretion of each federal state. In most cases, distribution is by population size. From an integration perspective, distribution should crucially consider employment-related criteria, such as local unemployment rates and, where possible and appropriate, specific local skills shortages.

More important than the municipality where asylum seekers are initially accommodated, is the place where they settle once they have obtained international protection. Until August 2016, when the Integration Act was introduced, persons were allowed to move to a different municipality after obtaining international status. Currently, however, refugees are required to remain in the federal state into which they were initially assigned for a duration of three years. The Act allows for exceptions from this requirement on the condition that mobility is relevant for integration (e.g. employment, training, specific integration measures). This framework appears to be a carefully-balanced compromise between the objective of avoiding concentration

in certain areas and the objective of facilitating integration. Yet a proper evaluation of the scheme is currently not feasible due to a lack of data on the number and motives of the exceptions granted to date.

### CONCLUSION AND OUTLOOK: MANAGING THE TRANSITION FROM CRISIS MANAGEMENT TO A LONG-TERM AND SUSTAINABLE INTEGRATION STRATEGY

To conclude, Germany has reacted relatively quickly in the face of large inflows of asylum seekers, and has taken many steps in the right direction. With strong support from civil society, Germany has adapted its political and administrative framework to facilitate the labour market integration of asylum seekers and refugees. It is particularly worth noting the measures taken to facilitate labour market access for asylum seekers and the provision of language training for asylum seekers who are highly likely to obtain international protection. However, developing a comprehensive and long-term integration strategy that closely links targeted language and professional training remains a challenge. This requires better coordination among all relevant stakeholders. Another important task will be to support employers by extending vocation-specific language courses; legal certainty regarding length of stay is also a key issue for this group.

Adopting a long-term approach is particularly important for refugees who have arrived with little or no previous education. Without significant, long-term support this group will struggle with employability. Such an investment will be costly but the returns will pay off in the long run and extend to future generations.

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