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## Initial Placement Restrictions: Opportunity or Challenge for Refugee Integration?

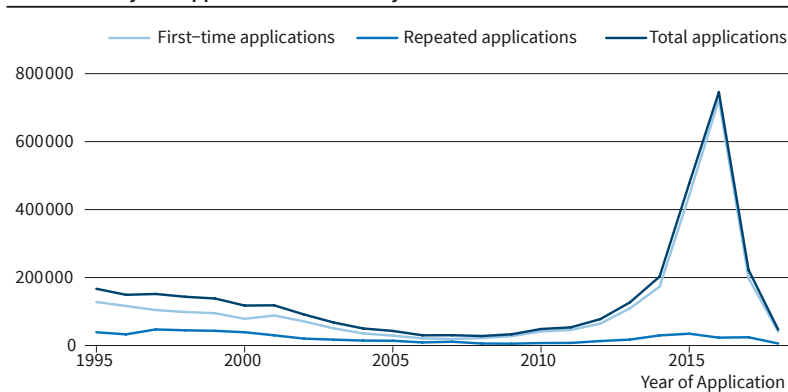
The sudden influx of migrants to Europe in recent years, followed by economic deterioration and political upheaval in the Middle East and North Africa (MENA) countries, poses challenges to national governments and creates the need for innovative and targeted policy measures that foster integration. This is crucial considering that many refugees have been granted protection and will stay in their host country for an extended period of time, if not permanently.

Germany has been particularly affected, with the number of asylum applications increasing sharply since 2014 (Figure 1). Compared to the other EU member states, Germany received the highest number of refugees in absolute terms<sup>1</sup> and ranks third after Sweden and Austria in relative measures (OECD 2017, p. 17ff.).

<sup>1</sup> 1.2 million persons in 2015 and 2016.

Figure 1

### Number of Asylum Applications in Germany

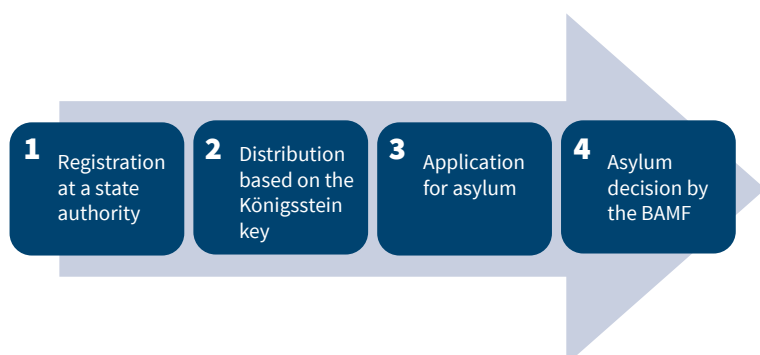


Source: BAMF (2019), author's illustration.

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Figure 2

### Stages of the Asylum Procedure



Source: BAMF (2016), author's illustration.

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With the August 2016 Integration Act, the German federal government introduced several integration measures for refugees with protected status, including the residence rule (*Wohnsitzauflage*). The residence rule limits refugees' ability to choose their place of residence for an initial period of three years after being granted asylum. As such, the policy aims at distributing financial burdens more evenly across municipalities and facilitating the planning of integration activities and language courses (SVR, 2016, p. 4ff.).

The economic literature establishes a strong link between immigrants' language skills and prospective labor market outcomes.<sup>2</sup> Consequently, completing a language course may be considered an essential first step toward successful integration. Against this background, this report analyzes the effects of the residence rule on participation in integration courses and refugees' language proficiency levels in Germany.

## INSTITUTIONAL BACKGROUND

### The Asylum Procedure in Germany

Figure 2 illustrates that the asylum procedure in Germany has a four-stage structure (BAMF, 2016). (1) Upon arrival in Germany, an individual seeking political asylum must report to a state authority, e.g., a border authority or a security authority.

(2) They will then be registered in the EASY system<sup>3</sup> and subsequently distributed to an initial reception facility based on an allocation scheme that considers both a state's annual tax revenue and population size, the *Königsstein key*. As such, the *Königsstein key* strives to ensure an equal allocation of refugees across states without taking individual preferences into account. (3) The refugee may then formally apply for political asylum. (4) Following examination of the application and a personal interview, the Federal Office for Migration and Refugees (BAMF) makes its final decision.

<sup>2</sup> See for example Chiswick (1991); Chiswick and Miller (1995); Dustmann and van Soest (2001); Dustmann and Fabbri (2003); Bleakley and Chin (2004).

<sup>3</sup> EASY (Erstverteilung von Asylbegehrenden, English: Initial Distribution of Asylum Seekers).



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## The Residence Rule

While asylum seekers face strict travel restrictions (*Residenzpflicht*) throughout the asylum process, previously, refugees with protected status could choose their place of residence freely within Germany. However, for asylum decisions since August 2016, the residence rule enforces severe restrictions on where individuals can reside, under certain conditions. There are a few exemptions from the residence rule; for example, if the migrant or a close relative (spouse, domestic partner, or child) attends school/university or has taken up employment with a certain number of working hours.<sup>4</sup> Those who are subject to the residence rule but do not comply lose their social benefits.

If none of the exemption criteria applies, a refugee with protected status must stay in the state in which they formally applied for asylum, i.e., the state initially determined by the Königsstein key, for three years after the asylum decision. Hence, the residence rule restricts mobility between states. Especially in economically less developed states, this regulation may be very restrictive.

Besides state-level restrictions, the Integration Act enables states to impose additional regulations. As a result, as of January 2017, five states have adopted even stricter placement policies that limit refugees' place of residence to the district level: Baden-Württemberg, Bavaria, North Rhine-Westphalia, Saarland, and Saxony-Anhalt (OECD 2017, p. 49). In all other German states, refugees with protected status remain free to move within their assigned state.

## Integration Courses in Germany

An immigrant who lacks adequate command of German in speaking and/or writing may apply for an integration course. This is why refugees with protected status are generally eligible.<sup>5</sup> An integration course consists of two parts: an orientation course on life in Germany lasting 100 hours and a language course lasting 600 hours, which conveys the vocabulary necessary for everyday situations. Upon completion of the course curriculum, participants take a final language test and a quiz on the orientation part.

Because the Integration Act seeks to facilitate access to integration measures at a local level, the report focuses on two primary integration outcomes: language proficiency levels and the probability of completing an integration course in the year of the asylum decision. For this purpose, the empirical analysis relies on certified language proficiency levels from the lan-

guage test<sup>6</sup> rather than on self-assessed language skills, because they are less prone to measurement error.

## HOW WAS THIS RESEARCH CONDUCTED?

Refugees with protected status who meet the exclusion restriction (and, hence, must not comply with initial placement restrictions) and refugees who are subject to the residence rule may be distinct in observable and unobservable characteristics that in turn may determine respective outcome variables. Thus, a simple comparison of the two groups may not convey the true causal estimate.

For this reason, the empirical analysis restricts the sample to those who do not satisfy the exclusion restriction. With introduction of the Integration Act, however, states implemented the residence rule to varying degrees: either requiring refugees with protected status to stay in the state where they formally submitted their asylum request (control group) or limiting residence to a particular district (treatment group) for a period of three years. An interesting detail of the asylum process in Germany is that refugees may not freely choose their first residence; instead they are assigned to states on the basis of the Königsstein key (see section *The Asylum Procedure in Germany*). Further, treatment and comparison states do not differ in their geographic, economic, or political characteristics. Thus, the analysis uses both the temporal variation in the regulation's implementation and the variation in the legal provisions across states in a *difference-in-differences* setting. This quasi-experimental design then controls for permanent differences between treatment and control groups as well as for existing time trends. Assuming that the treatment and control groups behaved similarly prior to the reform, the difference-in-differences estimate yields the causal effect of initial placement restrictions on participation in integration courses and certified language proficiency levels among refugees with protected status in Germany.

The data source for this report is the Socio-Economic Panel (SOEP), a representative survey of about 15,000 households in Germany (Göbel et al. 2019). In 2016, the SOEP included the IAB-BAMF-SOEP Survey of Refugees, which surveys refugees who have arrived in Germany since 2013, to allow for quantitative and empirical social research on this timely topic. It is important to note that the SOEP includes all information relevant for the analyses: the timing of the asylum decision and the type of residence permit, the place of residence at the district level, as well as information on the participation in, and results of, language courses for all household members. As stated previously, the empirical analyses consider only refugees with protected status who are subject to the residence rule.

<sup>4</sup> For further information, see the Federal Ministry of Justice and Consumer Protection, 2016, Residence Act (*Aufenthaltsgesetz*) Section 12a, Art. 1.

<sup>5</sup> Eligibility is less clear for asylum seekers. In the past, only refugees who successfully passed the asylum procedure had the right to attend an integration course. This has partly changed with the Integration Act, which fosters participation for asylum seekers with a high probability of staying. Since the empirical analysis focuses on refugees with protected status, this does not affect the results.

<sup>6</sup> Language skills are measured on a scale from 0 to 3 (0 – No certified level, 1 – Level A1, 2 – Level A2, 3 – Level B1). cf. <https://www.coe.int/en/web/common-european-framework-reference-languages/home>, accessed 22 July 2019.

## STRICT PLACEMENT RESTRICTIONS HAVE A POSITIVE EFFECT ON THE PROBABILITY TO COMPLETE AN INTEGRATION COURSE AND ON REFUGEES' LANGUAGE SKILLS

Do initial placement restrictions determine refugees' language proficiency levels? If so, what are potential mechanisms driving the results? The difference-in-differences results demonstrate that refugees who live in a state with strict limitations on residence decisions have a much higher probability of completing an integration course in the year of the asylum decision than those who remain free to choose their residency within a given state. Living in a state that limits the initial place of residence to the district rather than to the state level increases the probability of completing an integration course in the year of the asylum decision by 7.0 percentage points. This is a very large effect (+ 81.4 percent), given that, on average, only 8.6 percent of the sample graduates from an integration course in the year of the asylum decision. The effects are robust to varying subsamples, e.g., for male refugees or a sample without the three city-states,<sup>7</sup> where placement restrictions may be less severe. Further, Table 1 shows that there is an equally strong effect on refugees' language proficiency levels: living in a high-intensity treatment state increases language proficiency levels by 0.132 units measured on a scale from zero to three.

### SUPPLY-SIDE DIFFERENCES EXPLAIN PART OF THE EFFECT

As a further step, the report considers two potential mechanisms that may explain (part of) the preceding results: existing ties to the local network and the spatial mismatch hypothesis. The effect of a local network on refugees' language abilities is theoretically unclear. On the one hand, living in an ethnic enclave may increase the opportunity costs of learning the host country's language; on the other hand, refugees may be better informed about potential course offerings. Interest-

<sup>7</sup> Berlin, Bremen, and Hamburg.

Table 1

Effect on Completing an Integration Course and Language Proficiency Levels

	Completing an integration course	Language proficiency levels
	[1]	[2]
mean	0.086	0.143
	0.070*** (0.018)	0.132*** (0.035)
Obs.	1450	1450
R2	0.046	0.077

Source: SOEP, v34. Notes: Standard errors are clustered at the state level and given in parentheses. \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Outcome variable, completing an integration course, is equal to 1 for respondents who completed an integration course in the year of their asylum decision, 0 otherwise. Outcome variable, language proficiency levels, is measured on a scale from 0 to 3 (0 – No certified level, 1 – Level A1, 2 – Level A2, 3 – Level B1). All specifications control for being married, having children, wanting to stay in Germany, age, age squared, months since arrival in Germany, months since asylum decision, years of schooling (pre-migration), and country of origin fixed effects. Reference categories are as follows: male, Syrian nationality.

ingly, a simple comparison of treatment and control individuals shows that both groups do not differ in the number of ties to people from their country of origin. Additionally, including this self-reported measure in the regression does not change the quantitative results.

Strict placement policies may facilitate the planning of integration measures at a local level, since districts have better information on the demand for language and integration courses. In states where refugees remain relatively free to choose their home district, however, supply may not be as easily adjusted. Likewise, it may take more time for refugees with protected status to find a suitable course offering. To assess the theory of spatial mismatch, the report includes BAMF information from the statistical report on integration courses. This external database lists the annual number of courses begun, ended, and the number of course graduates at the district level. Table 2 then illustrates the results once these proxies for local access to integration courses are taken into account, both individually (columns 2–4) and as a whole (column 5).<sup>8</sup> Accounting for supply-side differences in the accessibility of language courses decreases estimate sizes by 20 to 30 percent. This holds true for the probability of completing an integration course and for respective language proficiency levels. The effect is more pronounced for the latter; besides smaller estimates, estimation results are much less robust and are weakly statistically significant. These findings suggest that spatial mismatch of integration courses in non-treated states is by far a more important driver than potential networking effects.

### CONCLUDING REMARKS

The controversial debate about how to integrate immigrants best into European society, fueled by the recent influx of foreigners, prompted several European countries to adapt their legislation. This includes Germany, which introduced the Integration Act in the summer of 2016. In this context, this report uses differences in the residence rule's implementation across states to investigate if initial restrictions in

refugees' residency choice have an effect on participation in integration measures and overall language skills.

The report indicates that tight placement restrictions at the district (rather than the state) level indeed increase the probability of completing an integration course and achieving higher language proficiency levels in the short

<sup>8</sup> To relate these measures to the size of the relevant population per district, I compare the means of these proxies deflated by the share of foreigners versus natives in a district across groups.

Table 2

## Estimation Effects Accounting for Spatial Mismatch

	Baseline	Number of courses begun pD	Number of courses ended pD	Number of graduates pD	[2], [3], and [4]
Panel A: Completing an integration course	[1]	[2]	[3]	[4]	[5]
mean	0.087	0.087	0.087	0.087	0.087
	0.070*** (0.018)	0.051** (0.017)	0.052*** (0.017)	0.052*** (0.016)	0.052** (0.019)
Obs.	1450	1375	1375	1386	1375
R2	0.046	0.048	0.049	0.046	0.05
Panel B: Language proficiency levels	[1]	[2]	[3]	[4]	[5]
mean	0.143	0.143	0.143	0.143	0.143
	0.132*** (0.035)	0.081 (0.053)	0.083 (0.053)	0.086* (0.047)	0.089* (0.048)
Obs.	1450	1375	1375	1386	1375
R2	0.077	0.088	0.089	0.08	0.092

Source: SOEP, v34. Notes: Standard errors are clustered at the state level and given in parentheses. \* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%. Outcome variable, completing an integration course, is equal to 1 for respondents who completed an integration course in the year of their asylum decision, 0 otherwise (Panel A). Outcome variable, language proficiency levels, is measured on a scale from 0 to 3 (0 – No certified level, 1 – Level A1, 2 – Level A2, 3 – Level B1) (Panel B). All specifications control for being married, having children, wanting to stay in Germany, age, age squared, months since arrival in Germany, months since asylum decision, years of schooling (pre-migration), and country of origin fixed effects. Reference categories are as follows: male, Syrian nationality. Column 1 replicates baseline results (Table 1). Column 2 includes the annual number of courses begun per district (pD), column 3 incorporates the number of courses that terminated. Column 4 includes the number of course graduates, column 5 includes all three additional variables.

run. The effect is partly driven by a mechanical cause: because refugees in high-intensity treatment states find more favorable conditions in their district, i.e., more available integration courses, they tend to perform better than refugees who may choose where to live within their state. Further, since the report considers treatment effects in the year of the asylum decision only, it is of great importance to look at medium- and long-run effects before drawing final policy conclusions.

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