

Refugees entered the labor market later than other migrants

By Zerrin Salikutluk, Johannes Giesecke, and Martin Kroh

It has taken longer for refugees who have been living in Germany for some time, particularly those who arrived between 1990 and 2010, to take up gainful employment than other migrants. These findings are based on data from the Socio-Economic Panel (SOEP) and the IAB-SOEP Migration Sample. In addition, these refugees show a higher rate of unemployment and earn lower incomes by comparison even years after arriving in Germany. Refugees from different regions also show a tendency to work in certain occupations and in jobs that are below their skill levels. These findings indicate the importance of targeted educational and labor market measures to facilitate the best possible integration of refugees into the German labor market—and thereby also into German society.

The entry of refugees as well as other migrants into the German labor market is influenced by a range of factors. The other reports in this issue of *DIW Economic Bulletin* show, for example, that the level of formal qualifications among refugees is lower than that of other migrants. At the same time, qualifications obtained by refugees abroad are less likely to be recognized than those of other migrants¹. Furthermore, refugees are more likely to find a job through informal channels². Seeking refuge is different from other forms of migration such as labor migration because it is less planned and prepared and therefore refugees have, for instance, poorer language skills when they arrive in the host countries³. As a result, it can be that refugees are less likely to be as well integrated into the labor market as other migrants.

Besides these factors, legal access to the labor market also determines refugees' level of integration. A prerequisite for the immigration of non-EU citizens via the "EU Blue Card" is a specific offer of employment and therefore immediate labor market inclusion. EU citizens can also take up employment in Germany immediately or become self-employed due to laws governing freedom of movement. Asylum seekers, however, are excluded from immediately entering the labor market. For asylum seekers and persons with leave to remain in Germany (*Duldung*), the process of acquiring a work permit has undergone numerous changes since the 1970s, at times involving long waiting periods and prohibitions on working.⁴

Currently, access to the labor market is determined by residency status which, in turn, is dependent on the status of the asylum application.⁵ In very simple terms, dur-

¹ See report by Liebau/Salikutluk in this issue of *DIW Economic Bulletin*.

² See report by Eisnecker/Schacht in this issue of *DIW Economic Bulletin*.

³ See report by Liebau/Schacht in this issue of *DIW Economic Bulletin*.

⁴ For an overview, see Wolfgang Seifert, *Geschlossene Grenzen, offene Gesellschaften? Migrations- und Integrationsprozesse in westlichen Industrienationen* (Frankfurt/New York: 2000).

⁵ In addition to the duration of the asylum procedure after an application is submitted, which often takes many months, the waiting period until an application can be submitted is a problem for asylum seekers wishing to enter the labor market quickly. Asylum procedures for many asylum seekers who came to Germany in 2015 had still not been formally commenced by mid-2016.

Box

Definitions

Individuals are subdivided into three categories defined by the International Labour Organization (ILO): *employed, unemployed, and economically inactive persons*. According to these definitions, an employed person is one aged between 15 and 74 who has had paid employment in the last seven days. This definition does not depend on the existence of an employment contract and therefore also includes people in irregular employment. Unemployed persons are those aged between 15 and 74 who stated in the survey that they were currently looking for a job and were available for work even at short notice. All remaining people of working age are categorized as economically inactive. This category consists mainly of people who are (1) neither in work nor looking for work, (2) still in

education or vocational training, (3) homemakers, or (4) on parental leave.

The group of economically inactive persons is not considered for the calculation of the *unemployment rate*. The unemployment rate is the share of unemployed in the total workforce.

A job (see Table 1) is counted as *adequate to qualifications* one in which an individual's educational and professional qualifications meet the stated requirements of their employment. Accordingly, those who stated that their level of education was higher than that required to do their job are considered over-qualified in the present study.

ing the ongoing process (temporary residence permit) and when the application has been rejected but that person has leave to remain in Germany (*Duldung*), the work permit of people from unsafe countries depends on the length of their stay and authorization from the immigration office. The latter is subject to a priority check (*Vorangprüfung*) by the Federal Employment Agency which reviews the impact on the labor market of employing a refugee and ensures that the position could not be filled by higher-priority job seekers, such as a citizen of Germany or another EU country. In a comparability test, the working conditions of the specific job are then assessed to ensure that the conditions are no different than for equivalent positions held by German citizens.⁶ Occupations in certain sectors, such as care or technical professions, that appear on the Federal Employment Agency's positive list do not require the individual check, as is the case with vocational training or an internship. However, in regions with strong economies, the priority check has (temporarily) been suspended for the next three years in accordance with recently passed provisions contained in the Integration Act.

Labor market access (including self-employment) ultimately becomes unrestricted when, in the process of granting temporary residency, an application for asylum or refugee status is approved. It is therefore primarily the duration of stay and outcome of the asylum application that are essential in determining whether and when refugees might enter the labor market.

⁶ German Bundestag, *Entwurf der Verordnung zum Integrationsgesetz*, German Bundesrat printed paper no. 285/16 (May 26, 2016).

Previous research shows that migrants in Germany are generally in a worse position on the labor market than those without a migrant background. They have fewer opportunities to obtain skilled jobs,⁷ lower incomes,⁸ and are at greater risk of becoming unemployed.⁹ Since refugees have a relatively low level of skills and access to the German labor market is delayed due to legal processes, these risks are particularly relevant to them.

Refugees take up gainful employment later than other migrants

Figures 1 and 2 show the time it takes for men and women to obtain their first full- or part-time job after arriving in Germany. The study only considers individuals aged between 18 and 55 upon arrival.¹⁰ The maximum observation period therefore distinguishes between recent arrivals and those who have already been Germany for some time. For this reason, we have restricted our graph to a maximum of ten years after migration.

⁷ Frank Kalter, "Ethnische Ungleichheit auf dem Arbeitsmarkt," in Martin Abraham and Thomas Hinz, eds., *Arbeitsmarktsoziologie* (Wiesbaden: 2005), 303-332.

⁸ A. Constant and D. S. Massey, "Self-selection, earnings, and out-migration: A longitudinal study of immigrants to Germany," *Journal of Population Economics* 16, no. 4 (2003): 631-653; F. Büchel and J. R. Frick, "Immigrants in the UK and in West Germany—Relative income position, income portfolio, and redistribution effects," *Journal of Population Economics* 17, no. 3 (2004): 553-581.

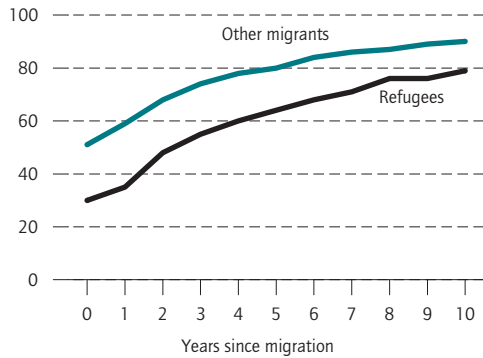
⁹ I. Kogan, "Last Hired, First Fired? The Unemployment Dynamics of Male Immigrants in Germany," *European Sociological Review* 20, no. 5 (2004): 445-461.

¹⁰ In the past, there were different requirements for awarding work permits to refugees, which could not be taken into account in the following analysis.

Figure 1

Labor market entry among men since year of migration

Cumulative probability (hazard rates) of entering employment¹



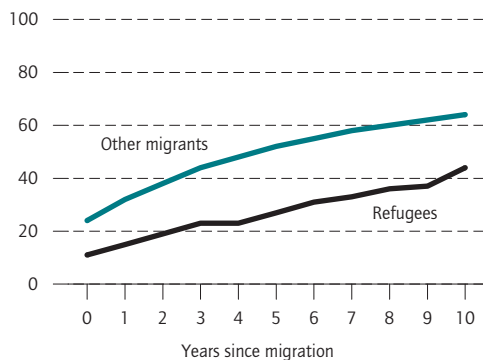
Source: SOEP.v31, weighted; estimations by DIW Berlin.

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Figure 2

Labor market entry among women since year of migration

Cumulative probability (hazard rates) of entering employment¹



¹ Based on retrospective annual (calendar) data. Under examination is the first year of full- or part-time employment in Germany. The analysis is limited to individuals who migrated between the ages of 18 and 55. The finding of delayed labor market entry among refugees also holds when controlling for the effects of the year of migration and region of the country of origin (Cox regressions).

Source: SOEP.v31, weighted; estimations by DIW Berlin.

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On average, refugees enter the labor market later than other migrants.

Around half of men in the group of other migrants (e.g., EU migrants, labor migrants, repatriates, family migrants) is employed in the first year after migration (see Figure 1), while this share is smaller among male refu-

gees (30 percent). This could be due to legal restrictions on access to the labor market in the first year after arrival in Germany or due to other factors mentioned above, such as their lower qualification levels and their tendency to use informal job search methods.

In both groups, the share of those taking up employment grows steadily over the subsequent years. In the fifth year after arriving, around 80 percent of other migrants have managed to enter the labor market, which equates to an increase compared to the first year of around 30 percentage points. In the tenth year, this figure even rises to 90 percent of males who came to Germany as “other migrants.”

Male refugees have been able, to a certain extent, to reduce the gap between them and other male migrants: around two-thirds of all male refugees in the observation group arriving in Germany between the age of 18 and 55 were in employment by the fifth year after entry; after ten years, this figure was 80 percent.

The time it took female migrants in Germany to enter the labor market was considerably longer (see Figure 2). Almost ten percent of female refugees were employed in the first year after entry but one in four of other female migrants. Over half of other female migrants had found a job by the fifth year and nearly two-thirds were in employment by the tenth year. For female refugees, however, this share is still below 50 percent even after ten years. Hence there is evidence of a growing disparity between female refugees and other female migrants.¹¹

Employment levels among refugees lower than among migrants even years after arrival

At the time of the survey in 2013, an average of 20 years after entry into Germany, 59 percent of 15-to-74 year olds surveyed in the sample, who had entered as asylum seekers had a job. The corresponding figure was 67 percent for other migrants and 68 percent for non-migrants (see Figure 3).¹² This difference is solely due to the fact that a comparatively large number of refugees are unemployed; for them, the corresponding figure was 16 percent, for other migrants it was eight percent, and for non-migrants it was four percent.¹³ In contrast, the share of economically inactive persons is similar in all three groups (ap-

¹¹ The gap between female refugees and other female migrants varies strongly by the region of origin.

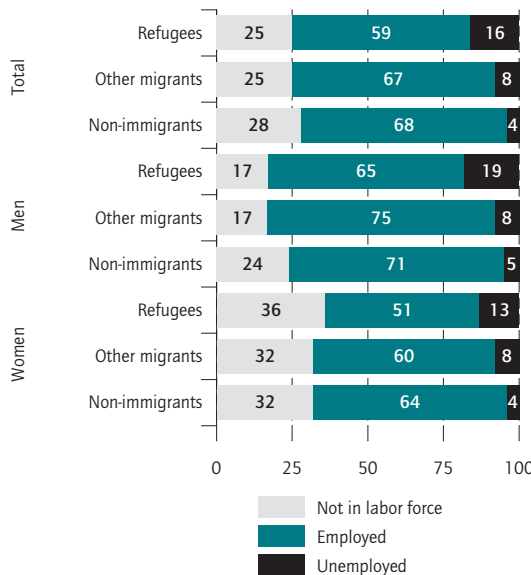
¹² In all groups, the majority of the workforce is in full-time employment (63 percent of refugees, 65 percent of other immigrants, and 69 percent of those born in Germany).

¹³ The difference between refugees and the other two groups is statistically significant when comparing both the shares of employment and unemployment at the one-percent level.

Figure 3

**Labor market status in 2013
by country of origin and gender**

In percent



Source: SOEP:v31, weighted; estimations by DIW Berlin.

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Unemployment is higher among refugees than among other migrants.

proximately every fourth respondent). The unemployment rate among refugees is 21 percent and ten percent among other migrants.

In general, the same patterns are evident if we conduct a gender-specific analysis. Approximately one in three women across all the groups is economically inactive. The share of unemployed is also highest among female refugees—13 percent of all female refugees were classified as unemployed in 2013.

The share of economically inactive persons among male migrants (17 percent) is below that of men born in Germany (24 percent) in the sample used here. The share of employed persons in the group of other migrants (75 percent) is similar to that of men born in Germany (71 percent). Lastly, as with female refugees, the share of unemployed among male refugees is also the highest.

Migrants often in jobs below their education level

Migrants who have acquired their education and professional training mainly in their country of origin must expect that these qualifications will only be accepted in the

German labor market to a limited degree. This is particularly true if no certificates are available for these qualifications or if they are not recognized. Since the recognition procedure for foreign qualifications has, in the past, differed between the migrant groups depending on the country of origin, it can be assumed that some groups are more likely to have the formal qualifications they gained abroad successfully recognized in Germany. Moreover, there is evidence that refugees have to overcome higher institutional hurdles than other migrants in the recognition process¹⁴.

This suggests that a lot of migrants in Germany are employed in a job that is below their (vocational) qualifications. Table 1 confirms this assumption: Of those workers born in Germany, almost 20 percent are employed in a job that they themselves state is below their skill level. The corresponding figure for refugees is 26 percent and for other migrants it is 30 percent. Thus, the assumption that there is a higher over-qualification rate among refugees cannot be confirmed.

The phenomenon of over-qualification affects migrants differently depending on their region of origin. Especially migrants from the successor states of the former Soviet Union appear to have difficulties in finding jobs that meet their qualifications. Every third person in this group is employed below their skill level; more than half of the refugees surveyed from this region are affected.¹⁵

When looking at the share of people who are employed below their education level, it is worth noting that over-qualification can only apply to individuals who have actually undergone vocational and educational training. By definition, people with no qualifications cannot be over-qualified. However, if we only consider those individuals (not shown here) that have at least medium-level qualifications, the reported findings are confirmed: Overall, migrants are at greater risk of being employed below their skill level and this is particularly true for individuals from the former Soviet Union.¹⁶

Industries and companies in which refugees work

One possible explanation for migrants' greater risk of over-qualification might be found in the structure and regulation of the German labor market (see Table 2). Some occupational segments are more regulated than

¹⁴ See report by Liebau/Salikutluk in this issue of DIW Economic Bulletin.
¹⁵ Due to the small sample size of the group of refugees from the former Soviet Union, this finding has a high degree of statistical uncertainty however.
¹⁶ See report by Liebau/Salikutluk in this issue of DIW Economic Bulletin.

Table 1

Employment below qualifications in 2013 by status and region of origin

In percent

	Refugees	Other migrants	Non-immigrants
Total (N)	282	2,872	14,404
Adequate to qualifications	73	70	80**
Overqualified	27	30	20**
From Southeast Europe (N)	127	397	
Adequate to qualifications	78	74	
Overqualified	22	26	
From Post-Soviet countries (N)	47	1,049	
Adequate to qualifications	47	67**	
Overqualified	53	33**	
From Arab/Muslim countries (N)	73	76	
Adequate to qualifications	81	71	
Overqualified	19	29	

Differences between refugees and other groups *** significant at the 1 percent level, ** significant at the 5 percent level, * significant at the 10 percent level; case numbers below 50 are in italics.

Source: SOEP.v31, weighted; estimations by DIW Berlin.

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Refugees and other migrants are more often employed below their education levels—especially refugees from Post-Soviet countries.

others, such as the civil service, making it more difficult for migrants to access these sectors.¹⁷

Manufacturing industries are an important economic sector for immigrants, employing 31 percent of refugees and 26 percent of other migrants. In 2013, a relatively high proportion of refugees worked in the hospitality industry (16 percent), which is considerably more than corresponding shares among other migrants or non-migrants (eight and three percent respectively). Another difference between refugees and the other two groups considered here is that they are relatively rarely employed in the health sector (seven percent compared to 13 and 14 percent respectively). Although in absolute terms, the sector “other services” plays an important role in all groups, its relative importance is greater for those born in Germany (37 percent) than for refugees (19 percent) working in the service industry.

Refugees are less likely to be employed in the civil service (9 percent) than other migrants (17 percent) and than non-migrants (26 percent). The share of self-em-

¹⁷ Whether or not professions included in the positive list really are more frequently taken up by refugees cannot be determined from the available data because the list was created in 2013 under new employment regulations.

Table 2

Refugees and other migrants by economic sector, public sector, and self-employment in 2013

In percent

	Refugees	Other migrants	Non-immigrants
Total cases (N)	293	2,906	14,796
Industry, manufacturing	31	26*	20***
Construction	7	5	5
Trade	10	10	12
Hospitality	16	8***	3***
Other services	19	28**	37***
Health	7	13**	14**
Other	10	10	9
Total cases (N)	271	2,702	13,641
In public sector	9	17**	27***
Total cases (N)	297	2,913	14,839
Self-employed	8	9	10

Differences between refugees and other groups *** significant at the 1 percent level, ** significant at the 5 percent level, * significant at the 10 percent level; case numbers below 50 are in italics.

Source: SOEP.v31, weighted; estimations by DIW Berlin.

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Refugees are employed in hotels and restaurants at a higher rate than other migrants and at a lower rate in service occupations.

ployed in all three groups, however, is very similar (between eight and ten percent).

Finally, Table 3 compares the sizes of companies employing workers in 2013. While people born in Germany and other migrants are relatively evenly distributed among small, medium, and large enterprises (see Table 3), the refugees surveyed are mainly employed at smaller companies with fewer than 20 employees (41 percent).

Thus, small businesses and the manufacturing and hospitality industries in particular seem to play an important role for the labor market integration of refugees who came to Germany between 1990 and 2010.

Refugees earn less than other migrants

An obvious consequence of the employment structure for refugees is lower earnings compared to other groups. Table 4 shows average gross hourly wages, calculated according to actual time worked, and gross monthly income. On average, refugees generally earn less, regardless which of the two indicators is considered. In 2013, refugees earned an average gross hourly wage of around 12 euros. Other migrants did slightly better with an average hourly wage of around 15 euros, whereas non-mi-

Table 3

Refugees and other migrants by company size categories 2013

In percent

	Refugees	Other migrants	Non-immigrants
Total cases (N)	264	2,636	13,981
Under 20 employees	41	28***	27***
20 to 199 employees	26	28	27
200 to 1,999 employees	15	20*	21**
2,000 or more employees	18	24*	25**

Differences between refugees and other groups *** significant at the 1 percent level, ** significant at the 5 percent level, * significant at the 10 percent level; case numbers below 50 are in italics.

Source: SOEP.v31, weighted; estimations by DIW Berlin.

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A large percentage of refugees work in smaller companies.

grants earned an average hourly wage of around 17 euros. As a result, on average, refugees earned only 70 percent of the hourly rate of people born in Germany. In monthly terms, this is an average net income for refugees of around 1,630 euros which is around 500 euros less than the average net income of other migrants, and around 950 euros less than that of people born in Germany.

Conclusion

The rapid integration of refugees has become a key sociopolitical issue in the wake of recent migration to Germany. The analysis of longitudinal data from the Socio-Economic Panel (SOEP) and from the IAB-SOEP Migration Sample, which primarily focused on those asylum seekers arriving in Germany in the 1990s, shows that refugees used to take longer than other migrants to establish themselves in the German labor market.

Consequently, the planned Integration Act aimed specifically at rapidly opening up the labor market for refugees is to be welcomed. In particular, the suspension of priority checks in regions with low unemployment rates should speed up the labor market entry process of refugees.

Labor market policy measures such as the creation of voluntary jobs for asylum-seekers and those with leave to remain in Germany (*Duldung*) during the ongoing asylum process can promote integration into working life.¹⁸ However, opportunities for rapid employment do not necessarily guarantee successful integration into the labor

¹⁸ Voluntary job opportunities are similar to one-euro jobs but pay 80 cents.

Table 4

Average gross hourly wages and gross monthly income 2013

In euros

	Refugees	Other migrants	Non-immigrants
Total cases (N)	293	2,873	14,672
Gross hourly wages ¹	11.8	14.8**	16.6***
Gross monthly income	1,632	2,147***	2,597***

Differences between refugees and other groups *** significant at the 1 percent level, ** significant at the 5 percent level, * significant at the 10 percent level; case numbers below 50 are in italics.

¹ Based on the actual and not the contracted working hours.

Source: SOEP.v31, weighted; estimations by DIW Berlin.

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Refugees have the lowest average income.

market. Job prospects for refugees may be unfavorable even if legislation allows them to swiftly enter employment. In particular, integration into the labor market through measures such as voluntary jobs carries the risk of refugees remaining in the low-wage sector in the long term. Conversely, the negative effects associated with a job opportunity or (long-term) unemployment are offset by the positive impact of these labor measures on refugees. Integrating them into the labor market can, for example, improve their language skills, help them make contact with the native population, and prevent any loss in working capacity.

In general, less favorable labor market positioning might also be caused by uncertainty on the part of the refugees and employers. The willingness to take up employment, for example by investing in skills training, might be lower among those whose residency status is (at least temporarily) uncertain than among those who have the prospect of remaining in Germany. We would therefore advocate a quick decision on residency status.

Moreover, to the government should provide employers with comprehensive information about support options. The findings shown here seem to suggest that smaller companies in particular are bearing the responsibility of the higher recruitment costs and more intensive supervision requirements of hiring refugees. The use of government funding, for example through integration grants, can lower barriers to recruiting refugees and relieve employers of high training costs.

Further support measures such as attending language courses and better recognition of foreign qualifications

are key factors in improving refugees' prospects of obtaining skilled work. The high share of people in employment that does not match their qualifications shows that action is still needed here to fully unlock the potential of migrants and give them opportunities to work in jobs for which they are qualified. The problem of unsuitable employment was countered in part by the Recognition Act 2012 (*Gesetz zur Verbesserung der Feststellung und Anerkennung im Ausland erworbener Berufsqualifikationen*), which is why we can expect the risk of over-qualification for new migrants to be lower than for migrants in the past. Equally, we recommend developing specific measures to encourage female refugees to join the labor market, by expanding day care facilities for children for instance.¹⁹ Although compared to men, women are

sometimes better qualified,²⁰ they seem to have particular difficulty finding employment.

With the introduction of the new Integration Act, the granting of a residence permit is linked to the individual's language skills and ability to support themselves and is issued (depending on language skills) after three years (level C1) or after five years (level A2). The fact that the right to remain is linked to the progress of integration provides refugees with powerful incentives to invest in language skills and take up employment as soon as possible. At the same time, efforts to integrate refugees could have a positive impact on their intention to remain in Germany. This makes the successful integration of refugees into the German labor market, in the long run, even more important.

19 See report by Spieß et al. in this issue of DIW Economic Bulletin.

20 See report by Liebau/Salikutluk in this issue of DIW Economic Bulletin.

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