

# Refugee Flows, Labor Mobility and Europe

(Refugee and Migrant Labour Market Integration: Europe in Need of a New Policy Agenda)

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## 1. Introduction

Until recently, many Europeans had only seen images of large refugee camps and desperate families trying to cross borders on TV screens. However, the unprecedented influx of refugees into Europe over the last two years, the largest since World War II,<sup>1</sup> has made refugee scenes a reality for many European neighbourhoods. Feelings of empathy and shock have been increasingly accompanied by worries about the consequences that the refugee crisis will have for society, welfare institutions and labour markets. In almost all the EU member states these worries have influenced public opinion and political action, causing temporary closings of Schengen borders and resistance to a fair allocation of refugees across Europe.

The refugee crisis soon became a political crisis that gave rise to populist parties. The topic was increasingly conflated with other migration issues: economic or educational migration, welfare migration and even internal EU labour mobility. Brexit, the unexpected vote of the British to leave the European Union, was also apparently influenced by migration concerns. The migration topic is suddenly determining the results of elections in EU member states and resulting in strong disagreements about how to deal with the crisis. Hence, the migration issue is acting like a catalyst in the European Union's endgame, although it is only misused in the face of weak political structures.

The current crisis can be seen as a crisis of Europe and its institutions rather than one of European migration. Refugees and internal labour mobility have not been the cause of the crisis. On the contrary, scientific evidence demonstrates that most of the current worries are unfounded. Recent empirical studies (Kahanec and Zimmermann 2009 & 2016; Zimmermann, 2014a; Blau and Mackie 2016) point to the economic opportunities provided by immigration and suggest that Europe could

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<sup>1</sup> See <http://www.hurriyetdailynews.com/global-migration-hits-highest-level-since-world-war-ii.aspx>.

achieve a fair and effective allocation of migrants that would preserve European principles and European unity. These empirical findings should be taken into account by European political actors in a spirit of evidence-based policymaking in their efforts to establish a functioning integration policy.

The following considerations will therefore put the so-called European migration or refugee crisis into perspective. On the one hand, there are undoubtedly enormous challenges which affect core values of the European Union that are the basis of the European idea. But on the other hand, the current crisis also offers great opportunities for a shrinking and aging Europe – especially in terms of enhanced labour mobility – as a basis for future growth and welfare. The analysis will mainly focus on the employment aspect of migration. To what extent are migrants, whether they are workers or refugees, able to find jobs or become self-employed, finance their lives and contribute to the economic success of their host country? Are they harmful or beneficial for native workers? And which policies can foster and manage the inflow effectively?

In Section 2 the chapter first investigates the challenges (and opportunities) related to migrant and refugee inflows. Section 3 then reviews some of the labour market effects, both for the migrants and for natives. Finally, Section 4 studies major policy approaches to ensuring the best performance of the host labour markets in Europe.

## **2. Challenges to face: those present and those to come<sup>2</sup>**

Who should be taken care of? From a legal, political and social viewpoint, work migrants, family migrants, educational migrants, asylum seekers and refugees are quite different categories.<sup>3</sup> Nevertheless, all of these categories may have a strong interest in seeking work, either through employment or self-employment, for at least some time. Hence, we cannot rule out economic motives for any type of migrant and neither should this be an argument for excluding them from a debate about optimal integration into labour markets. The current practice of many countries of limiting asylum seekers' access to their national labour markets is problematic.<sup>4</sup> Under the 1951 Refugee Convention recognized refugees are allowed to work immediately. However, since all EU member

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<sup>2</sup> Also see Hinte et al. (2015); Zimmermann (2014a).

<sup>3</sup> Asylum seekers and refugees are both special types of migrants, whereas in a legal sense asylum seekers or asylees are those who have formally filed an asylum application and refugees are those who have been granted refugee status (Constant and Zimmermann, 2016). These terms are often used much more broadly in the public debate, with refugees being considered to include all those fleeing unpleasant conditions in the home country (not necessarily applying for asylum, still waiting or preparing for the application, or not receiving formal status but still staying in the country) and asylum seekers those who plan to file an application. Here, we follow the more general interpretation while making it clear in the context when we focus on the legal terms.

<sup>4</sup> See Constant and Zimmermann (2016) for a detailed analysis of the current labour market access rights of legal asylum seekers in the EU member countries.

states have their own migration policies, the labour mobility of third-country nationals between EU countries remains restricted, including for those who have official refugee status.

Some argue that an early integration of asylum seekers into the labour market would make it harder to maintain the distinction between economic migrants and refugees since it would incentivize migrants with purely economic motivations to apply for asylum. However, it is the current system itself that has corrupted this distinction. It could be made more successfully if there were (i) a well-defined Europe-wide economic immigration channel outlined in an immigration law and (ii) a rigorous and effective asylum application system with early profiling, fast decisions and deportation when necessary.

Why is labour mobility economically beneficial? It contributes to an optimal allocation of resources, and therefore generates higher and better output and more welfare. It supports a quick adjustment of labour markets, particularly after asymmetric regional shocks, and hence reduces unemployment. For a long time, visionary European leaders have been pushing to complete the Single European Labour Market, but it is still incomplete.

Free movement of labour represents a core value of the European Union, as established in the Maastricht Treaty in 1993. Already in 1951, the Treaty of Paris allowed for free movement of workers in the coal and steel industries, and in 1957 the Treaty of Rome established the right of free movement of workers throughout the European Economic Community. Since then, the consensus in the European Union has been that by fostering growth through a more efficient allocation of labour between countries with labour surpluses and those with labour shortages, the free movement of labour can create greater economic welfare, increase European social-cultural integration, and strengthen a shared European identity.

However, recent developments clearly demonstrate that this consensus, if not already broken, is in imminent danger. Even before the current situation, EU states tended to view any large-scale international migration as a threat to the sovereignty of their national and regional borders, their economies and their societies. Most member states have reacted in a backward-looking way to influxes of refugees by tightening controls on irregular access to their territories and, in some cases, on legal channels. However, as one might have expected, the increasing restrictions have not been effective in avoiding or controlling the influx of refugees and other migrants. Instead, they have resulted in migrants making increased efforts to reach Europe, which in turn exposes vulnerable migrants to greater risks.

The rising concerns about mobility in the political debates before and after the Brexit vote in many European member states demonstrate insufficient understanding of the substantial benefits of migration to the performance of the economy and a convoluted understanding of the value of a

European Union of 28 member states. Despite the refugee crisis, it is still not too much labour migration but too little mobility of workers that is at the core of the European migration challenge. Both migration across regions within a country and between countries within Europe has been declining over recent decades. Interregional migration has played a much smaller role in economic adjustments in Europe than in the United States, where it has been an important component of the relative success of the American economy for many years. It is only recently that Europe has become more flexible, while the United States labour market has become less flexible. This has been partly a consequence of the EU Eastern enlargements and, more recently, a consequence of the economic divergence of European countries during and after the Great Recession. Migrants from outside the EU are typically more mobile and they also play a significant role in internal EU mobility (Jauer et al. 2016). Workers in the euro-zone countries have become more mobile than those in countries outside this zone (Arpaia et al., 2014). Nonetheless, internal mobility in the EU is far below the optimum level that could be achieved.

On the one hand, migration reacts to economic differences, namely wages and unemployment, but only slightly to welfare benefits. Ethnic networks play a dominant role, however. Migrants often select destinations because others of the same ethnic or local origin have chosen them before and can assist them in finding jobs and accommodation. The most important cause of immobility, on the other hand, is a lack of foreign language skills. Other major causes are rising female labour market participation and less mobile double-income households, an increase in the home ownership rate, the continued existence of barriers to the transferability of social security entitlements, insufficient recognition of formal qualifications, insufficient transparency of the European job market and online search engines, and persistent long-term unemployment, which leads to the increased relevance of social networks in overcoming individual and cultural barriers.

A further European challenge is demography and the shift in demand from low-skilled to highly-skilled workers. The UN's Population Division currently estimates that 3% of the world's population are international migrants – a number that has been very stable for decades, but all developed economies face a strong and increasing excess demand for skilled labour. This is brought about by technological change, population aging and, in the case of Europe, by a substantial future decrease in the native European workforce.

Europe as a whole is thus increasingly drawn into a competition to provide the institutional settings for its companies to attract skilled international labour to fill the gaps. However, unlike traditional immigration countries, such as the United States, Canada and Australia, Europe has no standing in the international labour market for highly-skilled people. Phenomena like immigration, return migration, onward migration and circular migration are new challenges that Europe will rapidly

need to learn to deal with in this phase of the internationalization of the labour market. How do refugees fit into this picture? Refugees can help alleviate Europe's demographic disruptions, at least in the long run.

Can we manage migration and control our borders effectively? The correct answer is probably negative. The potential for migration is enormous. For instance, about 86% of the 14 million refugees in 2014 live in developing countries (World Bank 2016) and few have so far migrated to highly developed countries. One obvious approach is to impose immigration restrictions: through legal measures, by tightening border controls or even by building fences and walls. A better approach would be to reach agreements with neighbouring states to collaborate on monitoring and managing migration flows. Such measures are being discussed in the context of protecting borders in southern Europe. However, if the factors that contribute to migration persist, political and geographical realities suggest that it will be difficult to control external borders sufficiently in the long run.

Furthermore, a common empirical finding in many countries is that imposing immigration restrictions often achieves opposite outcomes (more or different migrants) to those that were intended (fewer or other migrants).<sup>5</sup> This is because efforts by immigrants to enter countries illegally tend to increase: if legal entry becomes difficult, workers who are highly motivated by push or pull factors will try to enter illegally. In addition, once they are in a country, workers will tend to stay or stay longer because returning is so difficult. As a result, return and onward migration collapse. And migrants who cannot easily move into and out of the host country are more likely to bring family members with them when they migrate, or to bring them in later when they realize that they cannot move back and forth.

There are numerous examples of immigration restrictions that have backfired. A prominent example in the United States is the Bracero programme. Under this free labour mobility programme, which began in 1942, workers from Mexico, mainly men, could travel into three US states along the border for temporary jobs – working primarily for growers in California and agricultural employers in Texas. The immigrants relied heavily on social networks that connected workers in Mexico with employers in the US. Although the programme was an effective system of circular labour migration aimed at temporary work, it was officially terminated in 1964 amidst the rise of the civil rights movement. As a result (and due to other restrictive immigration and border policies), Mexican workers and their families started to migrate into the US 'illegally.' Massive and costly increases in border enforcement had little deterrence effect on undocumented migrants. On the contrary, return

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<sup>5</sup> For an analysis of border control issues, see Massey and Pren (2012), Orrenius (2014), Massey et al. (2016) and Zimmermann (2014b).

migration decreased because the militarization of the border increased the costs and risks for Mexican migrants, so they stayed longer once they had managed to cross the border. In addition, they brought their families and began settling permanently throughout the US. Thus, barriers that were installed to reduce labour migration from Mexico to the US backfired and transformed a successful temporary migration scheme into a flow of a similar number of undocumented migrants, who eventually became *de facto* permanent residents in the US.

Some recent research confirms these earlier findings. For example, a study that examines the period after the 1986 adoption by Congress of the Immigration Reform and Control Act finds that for every million-dollar increase in the border patrol's budget, the odds that a migrant would return home to Mexico in any given year dropped by 89% (Massey et. al 2015).

As Zimmermann (2014b) shows, similar effects could be observed in Europe when guestworker recruitment ended in 1973. Turks, unlike most of the other recruited ethnicities that originated from other member states of the European Economic Community, did not enjoy free mobility. While for other guestworkers whose countries became EU members the stock of immigrants decreased or stagnated, the numbers of Turkish nationals rose substantially. This occurred because the guestworkers stayed, brought their families to Germany, and had high fertility.

From a global perspective, additional long-term challenges arise. With the inescapable progress of globalization in general, and given the advances in human mobility in particular, labour markets will inevitably become more integrated. In many countries the impending demographic disruptions will set in with full force in the coming years. Climate change, natural disasters and the rise of the BIC countries (Brazil, India and China) will pose additional labour market challenges. Expansion of the resources available to the developing world and a strong increase in human capital will generate more opportunities for global mobility. All of these factors will eventually require a global reallocation of resources. This will force international and domestic labour markets to undergo major adjustment processes. A strong demand for skilled workers together with the fight against extreme economic inequality, the creation of 'good' jobs, and increased employment of specific groups (such as the young, the old, females, low-skilled and ethnic minority workers) will need scientific monitoring and evaluation and a rising interest on the part of policymakers.

### **3. Work integration experiences**

There is now a large literature about the labour market consequences of immigration for all parts of the world, including Europe. Here, I provide a brief but focused overview. The questions of interest are: How do migrants integrate into the labour force and how quickly do they begin to perform in the

education and economic systems of the host country? Do they affect the jobs, wages or educational chances of natives? And what is their take-up of welfare benefits?

Some state of the art is covered in the handbooks by Chiswick and Miller (2015) and Constant and Zimmermann (2013). Assimilation to the economic status of natives has been shown to be very slow, and it is sometimes not even achieved by the second generation. Although theoretically possible, migrants typically do not take jobs away (Constant 2014), do not depress the wages of natives (Peri 2014) and do not abuse the welfare system (Giulietti 2014). The ‘natural experiment’ of the EU’s Eastern enlargement in 2004 broadly confirmed these findings (see Kahanec and Zimmermann, 2009, 2016). Migrants from the new member states mostly found work without having a relevant negative impact on the labour market outcomes of natives. In spite of the negative public migration debate in the context of the Brexit campaign, these findings were also confirmed for the UK. Labour migration induced by EU enlargement was also beneficial for this country (Wadsworth et al. 2016), which received the largest additional inflow of migrant workers after immediately opening up its labour market to the new EU member states. A recently published report by a highly ranked commission of the National Academies of the US (Blau and Mackie 2016) confirms the same positive outcome there: in general, migrants are good for the US economy and seldom harm the natives.

How do refugees fit into this picture? A number of studies have investigated the labour market integration of refugees or have compared their chances across different types of entry categories.<sup>6</sup> Asylum seekers and refugees may be younger and better motivated than other non-economic migrants, but they integrate slowly, have problems finding employment, have more difficulties in organizing self-employment and hence also suffer from lower earnings. This is mainly a result of insufficient or lack of schooling and low host-country language proficiency. A recent OECD (2016) report on refugees supports this general picture for 25 EU countries using the pre-crisis 2014 Ad Hoc Module of the European Labour Force Survey. According to the report, 80% of all refugees are clustered in four member states (Germany, the UK, Sweden and France). A remarkable 20% of the working-age refugees have tertiary education. However, their allocation varies much across Europe and the size of this group has decreased with recent cohorts. About 42% have at most lower secondary education. In general, “refugees represent one of the most vulnerable groups of migrants in the labour

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<sup>6</sup> For Denmark and Germany, see, e.g., Constant and Zimmermann (2005a, 2005b), who look at entry categories and also study self-employment. See Devoretz et al. (2005) for Canada; Cobb-Clark (2006) for Australia; Aydemir (2011) for Canada; Bevelander and Pendakur (2009) for Sweden; Hartog and Zorlu (2009) for The Netherlands; Foged and Peri (2016) for Denmark; and Ceritoglu et al. (2015) and Balkan and Tumen (2016) for Turkey. Hatton (2013) and Tumen (2015) provide insightful literature reviews covering some of these studies.

market.... It takes refugees up to 20 years to have a similar employment rate as the native-born” (OECD 2016, pp. 5-6).

Refugees and asylum seekers often perform comparably to, but generally still worse than, migrants who came as family members. Immigration through a work status mostly leads to a superior integration path thereafter. These findings suggest that there are long-lasting effects of the legal status at entry into the country on the labour market potential of immigrants (Constant and Zimmermann, 2005a, 2005b). Hence, a selective immigration policy might be helpful to ensure individuals who can be more successful in the labour market are attracted. Such a selection might even be possible for asylum seekers and refugees when executed in a European context (see Section 4 of this chapter).

The allocation of migrants and refugees within countries and among EU member states is an issue of substantial concern. Countries like Germany have for a long time had an internal quota system to allocate refugees and asylum seekers across states (*‘Länder’*), a strategy also applied in other countries, such as Austria, Belgium, Denmark, the Netherlands, Sweden and the UK (Hatton, 2013). Migrants were often placed outside major cities in local areas, which could cause social tensions and keep them away from attractive labour markets and ethnic networks. These regulations entailed no work permit being issued until refugee status was recognised. As a consequence, the medium-term employability of refugees was likely to be negatively affected since major integration mechanisms were excluded.

These policies were questioned and only recently have they been somewhat relaxed (Constant and Zimmermann, 2016).<sup>7</sup> Early integration policies should be able to ensure a much better labour market integration of refugees. Such policies also need to deal with the fact that by their very nature many refugees are at first only temporary migrants and may wish to return to their home countries after the situation there has improved, or to move to another country for family or labour market reasons. Moreover, refugees move in ethnic and family networks and pursue economic interests when searching for a place to stay. This creates an opportunity to mobilize the diaspora for integration. Thus, refugees can also help moderate Europe’s demographic disruptions and meet the needs for mobile workers. However, this is much more difficult to achieve than is sometimes suggested in public debates and will take much more time and many more integration efforts. The main advantage of refugees is that they are typically young and highly motivated.

Given the slow labour market integration of refugees, it is obviously unlikely that they will offer much competition to native workers. At worst, it is the group of the low-skilled natives and

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<sup>7</sup> For an overview of the current legal details of the labour market access of asylees, see Constant and Zimmermann (2016).

other migrants that can expect a negative impact. Tumen (2015) studies some of the major publications on the labour market consequences of refugee inflows from the perspective of ‘natural experiments.’ The argument he finds is that, unlike normal labour demand-driven migration that is endogenous and selective, a strong, fast and unexpected inflow of refugees may be considered exogenous and hence can more convincingly identify the true impact of migratory movements on the labour market outcomes of native workers. A counter-argument is that refugees may not be close enough in their profiles and reactions to labour migrants for it to be possible to learn much about the topic in general. Typically, the key empirical studies find no effects on wages and a negative, albeit small, effect on employment, largely in the unskilled sector.<sup>8</sup>

The actual impacts of large refugee inflows depend on local institutional settings. For example, a study analysing the effects of the recent inflow of Syrian refugees into southeast Turkey shows that while wage levels were unaffected, the influx did in fact increase unemployment among the Turkish residents (Ceritoglu et al. 2015). However, a closer look reveals that the locals who lost their jobs mainly worked in Turkey's large informal sector. There, the refugee inflows reduced the informal employment ratio by approximately 2.2%. The authors conclude that the prevalence of informal employment in Turkey amplified the negative impact of Syrian refugee inflows on native labour market outcomes. For unrecognized refugees, the informal sector is the only place where they can find work, as the Turkish government has not provided them with work permits.<sup>9</sup>

The Turkish case therefore shows the importance and necessity of considering granting immigrants access to local labour markets. Many refugees have usable skills and professional qualifications, and are committed to work. Nevertheless, until not so long ago they were effectively barred from seeking employment. Germany has also recently eased its restrictions on labour market access for asylees (Constant and Zimmermann 2016). This gives them a chance to earn their own living, to develop their professional skills further, and to achieve social integration.

Foged and Peri (2016) take up another important aspect of the refugee-native relationship. They study the massive influx of refugees to Denmark during the period 1991-2008 and its impact on the labour market outcomes of low-skilled Danes. Contrary to popular belief, they do not find an increase in the probability of unemployment for the unskilled Danish population. Instead, the findings suggest that the immigrants, who were mainly refugees from former Yugoslavia, Somalia,

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<sup>8</sup> See Card (1990) for Cuba to the US; Hunt (1992) for Algeria to France; Carrington and Lima (1996) for Angola and Mozambique to Portugal; Friedberg (2001) for the Soviet Union to Israel; Maystadt and Verwimp (2014) for Burundi and Rwanda to Tanzania; Foged and Peri (2016) for Denmark; and Ceritoglu et al. (2015) for Turkey. See Borjas and Monras (2016) for a recent confirmation of these findings.

<sup>9</sup> In the meanwhile, the Turkish government has relaxed labour market access for Syrian war refugees.

Afghanistan and Iraq, caused an ‘occupational upgrading and specialization’ of native Danish employees.

The story behind these results is quite similar to what happened in Germany when the ‘guest workers’ arrived in the 1960s (Zimmermann 1996). While immigrants are initially restricted to occupations and jobs consisting of manual tasks because of language problems, natives leave these jobs by specializing into more complex occupations with a primarily interactive task content. Accordingly, the influx of guestworkers had a positive effect on wages and the mobility of the native low-skilled population, who climbed up the job ladder.

#### **4. Policy approaches**

The above review has shown that, according to global evidence, migration is largely beneficial, although there may be significant differences between different types of immigration channels. Roughly speaking, economic migrants, in particular when they are screened through immigration policies, are naturally easier to integrate into the labour market than refugees and asylum seekers, who are forced to migrate abruptly. But destination countries do not have much choice between the two kinds of migrants. International laws and the Geneva Refugee Convention of 1951 (signed by 144 nations) specify humanitarian obligations to refugees and asylum seekers. The latter outlines the obligations of the host countries to protect refugees and provides for ‘non-refoulement,’ meaning that refugees should not be returned to a country in which their lives or freedom would be threatened. In the absence of clear international norms on ‘burden sharing’ in the admission of refugees, foreign policy needs to achieve an earlier and better allocation between Europe and the rest of world, as well as within the EU. This is obviously not an easy task. A closed-border policy towards real refugees and asylum seekers is not only inhuman but also largely impossible to impose. It will only create misery, illegal migration and substantial economic and social costs. Similarly, there might be better policy approaches than simple border controls against illegal economic migration.

Given the substantial economic potential that migration has, resistance to human mobility results from misunderstanding of the facts, and ignorance or misuse of the topic for political purposes. Scientists certainly have a duty to share their knowledge with the broader public, the media and policymakers. Reports like that of the National Academies of the United States (Blau and Mackie 2016) are important in the debate. Those who understand have to stand up against political pressures and communicate by using the media properly. To do this, one has to deal with attitudes against migrants and refugees. Negative attitudes are often concentrated in parts of a country or in countries without a large number of migrants or refugees, or among people who misjudge the true impacts on the labour market and the economy (Bauer et al. 2000; Dustmann 2007; van Noort 2016).

Communication strategies to inform the public about these impacts and to profile successful individuals or contexts might help to moderate such attitudes. The inability of the political class to execute such a strategy is partly responsible for the currently perceived refugee or migration crisis. It is more a crisis of political leadership.

Managing migration is a somewhat difficult task. As pointed out in Section 2, economic research has shown that limiting labour migration does not necessarily stop immigration, particularly circular migration, as previous experiences (US-Mexico, Europe after 1973) have shown. It may even result in more migration due to a decline in return migration and induced family and social migration, which change the nature of the process. In general, the relevance of emigration is typically misunderstood and underestimated in public debates. Labour migrants mostly return or move on when jobs are no longer available or when better alternatives appear. Refugees too can either return if the situation in the home country improves or move further on when other opportunities come up. Point systems provide transparency for migrants and the host country and have been shown to be effective to screen and guide mobility. The criteria may explicitly include integration indicators, such as education, language proficiency, job characteristics and social activities. An even better, but more controversial, approach is to use the labour market as a filter for migration. Those who have a job offer can come and stay, as long as the work relationship persists. Those who can no longer find a job have to leave, at least after a transition period, if they do not obtain a permanent residence permit. Circular migration contracts between countries may ease such relationships, which are very useful to meet demands for flexibility in host countries. Those who stay illegally may lose their right to return when a new job offer arrives. After a transition period, a world-wide regime of free labour mobility would probably only result in a modest increase in labour mobility, as migration experiences suggest. Offering successful students the option of staying if they find a job after some transition period is the most effective long-term immigration policy.

Immigration regulations on asylum seekers and refugees are partly responsible for their weak performance in the labour market, as was discussed in the previous section. For instance, a refugee or asylum seeker could receive the right to move to the employment channel in a points-based admission system as soon as she/he gets a decent job offer.<sup>10</sup> They should be allowed to work as quickly as possible and not be restricted to a particular region within the country, or after recognition as a refugee even in their initial host EU state. This would improve their long-term labour market

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<sup>10</sup> While refugees are temporary migrants, in special cases this could also lead to a permanent residence permit and even citizenship of the host country.

attachment. It is a well-known fact about long-term unemployment that being out of a job is detrimental to re-entry into regular employment; this also holds true for refugees and asylum seekers.

The objections against free labour mobility for asylum seekers and recognized refugees are that asylum procedures cannot be carried out if asylum seekers can freely move to other locations, and a fair distribution of refugees across member states presupposes that secondary migration is restricted. To clarify, the asylum procedure should be carried out in the country where the application was filed. However, this should not prevent job mobility within the country, as is now the practice in countries such as Austria and Germany (Constant and Zimmermann, 2016). Otherwise, taking up work is somewhat difficult for those not allocated to vibrant economic areas. Furthermore, Europe-wide fairness comes into the initial allocation and asylum procedure. Asylum seekers can be seen as a burden, and it is considered that they should stay in the host country. However, it is in the interest of the whole EU area that refugees be able to move to where they are most productive and can finance themselves, on the condition that they have a work contract. If non-working refugees were to distribute themselves in a substantially unbalanced way, one could introduce compensation payments between countries. The profiling of refugees and asylum seekers in special arrival centres at Europe's borders, directly organized and financed by the European Union, would take the heat out of the public debate and define a special role for countries such as Greece, Italy, Malta and Spain. The kind of profiling known from the work of labour offices can help to better predict the opportunities for migrants in host countries and their potential, in particular for the labour market. Profiling and integration need new institutions and procedures. For allocation to take place already at the borders one needs an initial temporary quota system across European member states guaranteeing a balanced distribution of asylum-seekers across the EU following acceptable criteria, such as population size, GDP, unemployment rates, and existing related diasporas (Rinne and Zimmermann 2015). European solidarity still needs to be developed to execute either such a quota system or compensation payments. Since 2015, Sweden, Hungary, Austria and Germany have registered above-average numbers of asylum applications, both per capita and in absolute sizes. In absolute terms, Germany took nearly half of the newly registered 2.3 million asylum applications from 2015 to September 2016. Other larger countries such as Italy, France and the UK have been much more reluctant. However, while the number of asylum applications in Germany further increased in 2016, restrictive policies in Austria, Hungary and Sweden led to substantially reduced numbers there. Hungary even seems to encourage registered asylum seekers to leave the country; its recognition rate in 2015 declined to practically zero (UNHCR, 2015).

As an alternative to such quotas, Moraga and Rapoport (2015) have recently proposed an EU-wide market for tradable refugee quotas. While offering asylum to refugees with valid claims is

considered an international public good, it constitutes a significant financial burden on the particular receiving country. A market mechanism could efficiently distribute immigrants to countries with the lowest costs, including the direct costs of accommodation and administration, and also those of social and political distress. Furthermore, a market mechanism could be designed to take into account the preferences of the asylum seekers themselves, for example in terms of cultural and linguistic proximity. The resulting solution could therefore lead to a fair distribution of costs and may also increase public acceptance.

Integration courses and language classes need to be given early attention, if possible already in the profiling phase. Free mobility within the quota country should already be allowed before recognition of refugee status as early as possible; after recognition, mobility should be free across member countries provided that there is a concrete work contract. Like all migrants, refugees also generally migrate in ethnic networks. This offers the opportunity to mobilize a diaspora for integration.

Another strategy involves neighbourhood policies such as those currently developed with Turkey, Egypt and Libya. Circular labour migration contracts between the EU and African countries (like that between Spain and Morocco) could also be effective. In addition, in the long run a revitalization of the EU-Mediterranean Economic Partnership concept could create a buffer zone of prosperity that filters the migration pressure.

## **5. Conclusions**

Current events clearly indicate that Europe in general and the European Union in particular have arrived at a crucial stage in their history. The refugee crisis serves as a catalyst revealing that the ‘old continent’ is truly at a crossroads. There will either be more integration, coordination and common responsibility or the European Union could break apart.

At this stage, the answer to any crisis must be ‘more Europe.’ Recent developments have clearly shown that more integration is needed to address the economic, social and demographic problems of our time. If anything, the refugee crisis gives Europeans another opportunity to strengthen and modernize their bonds. Europe must certainly revisit its overall immigration policy; nevertheless, it must not lose its democratic ideals and the European idea.

The free movement of EU citizens and workers within the European Union is one of the cornerstones of European integration. It is enshrined in the European Treaties. In a free and integrated Europe, there is no place for first and second-class citizens. Any intentions of restricting the free movement of labour as a fundamental right stand against Europeans’ well-understood interests in a dynamic and prosperous economy. Free labour mobility serves as a means to better allocate shrinking

human capital capacities within the EU. In short, the free movement of labour can foster economic dynamism, promote economic growth and advance competitiveness.

Europe therefore needs to join forces to expand the European dream, rather than stifle it or narrow it down well before it has reached its real potential. It currently seems that many EU member states want a 'free ride,' but the benefits of the EU come at a price. The current refugee crisis could therefore mark the dawn of a new era, but it also has the potential to mark the end of the European idea. Europe must now act jointly and seize the chance to reinvent itself to ultimately become the 'United States of Europe.' Only this model will put it on a level playing field with the US and China in the long term.

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