

IREF Policy Paper Series

Asylum migration and barriers to labor market entry

Policy recommendations for easier access

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Executive Summary

Taking stock

- ◆ The number of annual first-time asylum seekers in EU countries has increased over the past few years until 2014 and is expected to further increase in 2015 to more than 1.3 million.
- ◆ The realization of the potential gains from asylum migration for migrants as well as members of the host societies, in part, depends on the migrants' labor market integration.
- ◆ An analysis of the status quo of labor market regulations in Germany, France, and the UK suggests that labor market entry barriers created by regulations are substantial, though they vary from country to country.
- ◆ Asylum migrants face labor market entry barriers due to regulations that were explicitly designed to make it harder for them to successfully enter the labor market.
- ◆ In addition, asylum migrants suffer from negative employment effects due to general legal barriers that potentially hit them harder than other labor market participants.
- ◆ Given the high rates of unemployment among excepted refugees, tolerated residents and asylum seekers, a reduction in labor market entry barriers they face has potentially large positive employment effects.

Proposals

- ◆ Abolish explicit employment bans and employment restrictions for asylum seekers.
- ◆ Allow temporary work for asylum seekers.
- ◆ Give asylum seekers easier access to activating labor market policies.
- ◆ Allow self-employment for asylum seekers.
- ◆ Don't apply the minimum wage to asylum migrants.
- ◆ Ease employment protection for asylum migrants.
- ◆ Abolish profession-specific licensing requirements if in any EU-country that profession does not require any license.

Introduction

The European Union has experienced an increase in asylum applications for several years, with 2014 seeing 570,800 applications, an increase of 47% compared to 2013.¹ The year-to-year increase in applications will be even more pronounced in 2015. Germany, Austria, Hungary, Sweden, the Netherlands and Finland alone expect 1.3 million applications in 2015 — a new high since the Balkan crisis of the 1990s.²

Asylum migration to the European Union increases.

While there are plans by European Union countries to further limit asylum migration from the Balkan states, asylum migration from the troubled countries in the Middle East, Central Asia and Africa is expected to remain at high levels during the coming years. The successful integration of asylum migrants in the EU therefore is a more important issue than in the past, if only because of the increase in their numbers.

Labor market integration becomes an important issue.

Since labor market integration is the path to successful integration of society's new members, we argue that EU countries should take measures to ease the integration of asylum migrants into their labor markets. First, the countries should eliminate labor market regulations that are specifically geared at increasing labor market entry barriers for asylum migrants and tolerated residents. Explicit employment bans and priority checks fall into this category. Second, the countries should reduce labor market entry barriers for asylum migrants that result from general legal barriers by eliminating negative consequences from minimum wages, employment protection legislation, and occupational licensing.

We recommend eliminating specific and general barriers to employment.

Based upon a detailed analysis of the rules and regulations that currently serve as labor market entry barriers for asylum migrants in France, Germany, and the United Kingdom — the three most populated countries in the EU — we provide the following recommendations:

- Abolish explicit employment bans and restrictions for asylum seekers
- Allow temporary work for asylum seekers.
- Give asylum seekers easier access to activating labor market policies.
- Allow self-employment for asylum seekers.
- Don't apply the minimum wage to asylum migrants.
- Ease employment protection for asylum migrants.
- Abolish profession-specific licensing requirements if in any EU-country that profession does not require any license.

Several reform options for Germany, the United Kingdom and France are available.

Since currently the unemployment rates among asylum migrants are very high, we expect significant positive employment and fiscal effects from the proposed changes. For instance, a reduction in the average period of unemployment by three months would reduce the fiscal burden by at least 3.000€ on average per asylum migrant.

¹ The following statistics are provided by the UN High Commissioner for Refugees, see [UNHCR \(2015\)](#).

² This figure is based on [estimates](#) provided by the respective governments.

The welfare consequences of immigration

Migration has long been identified as an important source of economic growth with the potential to create massive welfare gains for both the receiving countries' citizens and the migrants. It has been estimated that free global labor mobility could yield a permanent boost of 50-150% to world GDP. Even partly lifting existing barriers to migration could increase living standards substantially. For instance, emigration of only 5% of the population of the world's poorest regions could bring about welfare gains equivalent to the elimination of all remaining barriers to trade and capital controls.³ However, while there is consensus on the overall positive consequences of migration, the distributional effects are more subtle.

Free migration could yield substantive welfare gains.

Most obviously, migrants expect to benefit from higher income, the so called place premium:⁴ Relocating into an advanced economy leads to an increase in labor productivity that enables migrants to increase their income, even if they end up doing the same job as in their home country. The primary motive of asylum migrants may not be their earnings prospects but rather the desire to flee from bad political institutions, wars and environmental catastrophes. Nonetheless, migrating to secure societies comes along with the prospects of considerable increases in income.

Asylum migrants profit from safety and wage increases.

The citizens of the receiving countries also stand to benefit from immigration: They potentially profit from a larger supply of workers and an extended division of labor with accompanying increases in productivity, especially if the skills of immigrants are complementary to the skills of natives. Immigration has also been identified as a way to ease the expected demographic problems in ageing societies.⁵

Increasing productivity and complementarity benefit natives.

However, for the receiving countries' citizens, the net welfare consequences of immigration are ambiguous. Especially, the idea of unrestricted migration into welfare states with regulated economies has received much criticism.⁶ Of main concern is the **fiscal burden** created by low-skilled immigration into welfare states with regulated labor markets – a category in which asylum migration undoubtedly falls.⁷ As a group immigrants may use up more public resources (public and publicly provided goods as well as transfers, in particular welfare payments) than they create (taxes and social contributions), thus presenting a fiscal burden to their host society.⁸

Low-skilled immigration into regulated welfare states creates a fiscal burden.

³ See [Clemens \(2011\)](#).

⁴ See [Clemens, Montenegro and Pritchett \(2008\)](#).

⁵ In addition, migrant-sending countries experience welfare gains: They receive huge amounts of remittances with estimations amounting to twice to three times the global development aid combined. The prospect of being able to emigrate into economies with higher income levels and skill requirements incentivizes would-be migrants to invest in their human capital. Furthermore, extractive governments are constrained by their citizens' exit options.

⁶ For an influential example, see [Borjas \(1999\)](#).

⁷ Some critics have focused on the suppressive effect on natives' wages and other pecuniary externalities. However, empirical studies suggest that immigration has only minor effects on native wages, see [Peri \(2014\)](#). Other critics have focused on potential undesirable political or socio-economic effects resulting from immigration, but empirical evidence on this subject is rare, see [Clark et al. \(2015\)](#) for an overview.

⁸ Whether the welfare losses transmitted by the fiscal burden are higher than the overall welfare gains is an empirical question. For instance, the [World Bank \(2005\)](#) estimated that an immigration-induced growth of the labor force in

The conventional answer to immigration-induced welfare losses for the host society has been to restrict low-skill immigration and to lower the barriers for high-skill immigration as well as to regulate the total amount of immigrants. Asylum migration, however, is a different matter: Moral considerations as well as supranational law and conventions prohibit asylum decisions based on a fiscal cost-benefit analysis. Consequently, the *number of asylum migrants*, the *acceptance rate* and their *skill composition* are not policy parameters to be readily manipulated by the government of the receiving country.⁹

Asylum migration is not regulated according to cost-benefit analysis.

The state's inability to directly restrict and regulate asylum migration does not, however, imply that welfare losses for the native population are inevitable. Restricting immigration to high-earners with complementary skills is only one way to increase the probability that the native population does not suffer from a net fiscal burden. Another, and we think preferable, way of increasing the probability that asylum migrants are net fiscal contributors is to make it easier for them to succeed on the labor market.

Increased labor market participation makes asylum migrants net fiscal contributors.

We argue that by reducing labor market entry barriers — migrant-specific ones as well as general ones that hit migrants especially hard — policy makers in rich Western democracies are in the position to provide safety to asylum migrants while shielding the native population from a fiscal burden due to immigration. Asylum migration into societies with labor market entry barriers, which are prohibitively high for many migrants, certainly reduces human suffering through transfers and directly benefits the asylum seeker. However, the potentially massive gains from migration for the receiving society and the migrants alike can only be realized when currently existing barriers to labor market entry in the host countries are lowered substantially.¹⁰

Lower entry barriers allow accessing massive gains from migration.

Asylum migration: Current trends

Asylum migrants are people who seek protection from political, religious and other kinds of persecution in their country of origin by (temporarily) resettling in a safe country. Asylum is not granted automatically but requires an application which can be approved or denied based on legal criteria. Germany, the United Kingdom, and France shape asylum migrants' access to the labor market via various measures, subject to some restrictions originating from supranational law.¹¹ Abstracting from

Asylum seekers' labor market access is restricted by various measures.

rich Western countries by 3% could yield a \$51 billion net gain to the native population. Furthermore, the migrants would gain as much as \$300 billion – 4.5 times the amount of development aid in 2005. However, other studies suggest small positive or small negative overall effects for natives, see, for instance, [Hagist, Moog and Raffelhüschen \(2011\)](#).

⁹ This, however, is not to say that destination countries do not *indirectly* vary those parameters in reaction to changing economic trends.

¹⁰ Abstracting from the economic discussion, the large amount of voluntary help and private donations for asylum seekers currently to be seen in many European countries demonstrates that the sheer act of doing something good also creates welfare gains for the native population.

¹¹ Under the latest EU recast Qualification Directive (enacted on July 20, 2015), the signing countries are obliged to grant a working permit to every asylum seeker after 9 months. However, the directive was not signed by the UK. The

details with minor consequences regarding the migrants' prospects for labor market participation, asylum migrants can be divided in three groups.

Asylum seekers who submitted an application and are waiting for their claim to be processed hold a temporary residency permit for the duration of the process. *Tolerated residents'* asylum applications have been rejected, but they are allowed to stay until conditions in their country of origin have improved sufficiently for them to return. *Recognized refugees'* applications were successful and they have a (temporary) right to residency.

Asylum migration to Germany, the United Kingdom and France

Cumulatively from 2010 to 2014, these five EU countries received the most applications for asylum: Germany (434,260), France (274,550), Sweden (234,710), Italy (157,140) and the United Kingdom (137,660).

The amount of annual asylum applications during the last years in **Germany** has been lower than in the early 1990s, but it is expected to reach an unprecedented high in 2015. Most estimates for 2015 run from 800,000 to one million applicants, some are even higher. About 41.6% of all first instance applications processed in 2014 were successful, i.e. led to some form of asylum and a temporary right to residency in Germany. After rejections, many asylum seekers file appeals. In 2014, in Germany 15.7% of the appeals were successful, i.e. led to protection status. Asylum migrants are expected to be more numerous in the near future. Currently, about 239,000 asylum seekers and 296,000 recognized refugees live in Germany. Asylum migrants account for about 11.3% of the non-EU foreign population.¹²

Unprecedented levels of asylum migration to Germany expected for the coming years.

In the **United Kingdom**, asylum applications have been growing in total numbers since 2010 but the level is well below that of the late 1990s and the early 2000s. Asylum migration's annual share of net migration has been stable around 8% since 2004 when it dropped from much higher rates during the 1990s.¹³ In 2014, 41% of all asylum applications were successful (thus falling into one of four protection-granting categories). Out of the refused applications, 28% were successful after appeal.¹⁴ Asylum migration is not expected to play a larger role in the near future than presently as the current government is dedicated to decrease immigration, including asylum immigration. Currently, there are about 36,400 asylum seekers and 117,200 refugees in the United Kingdom. Asylum migrants make up 6.33% of the non-EU foreign population.

Asylum migration to the UK is stable, but has been growing for several years.

Against the European trend, **France** experienced less asylum applications in 2014

directive does not prevent participating states from enacting rules that favor natives or restrict labor market entry via other channels, i.e. labor market tests. For an interesting comparison, Sweden has no explicit working ban.

¹² We refer to the population of non-EU third country nationals because citizens of the EU and its associated countries (Norway, Iceland, etc.) essentially are part of a common labor market. The figures are calculated by using Eurostat statistics and [UNHCR \(2015\)](#).

¹³ See [Blinder \(2015\)](#).

¹⁴ See [British Refugee Council \(2015\)](#).

(59,030) than in 2013 (60,230), but has also seen a growing amount of applications over the last decade. The success rate for first applications is low (21.6% in 2014), but almost every rejected asylum seeker files an appeal (of which 15.7% were successful in 2014). There are about 55,800 asylum seekers and 252,200 refugees living in France, accounting for 11.39% of the non-EU foreign population.

Despite fewer applications in 2014, high stock of asylum migrants in France.

Neither the German, nor the British, nor the French government collect statistics on employment of asylum seekers, tolerated residents and refugees. There is little quantitative evidence on labor market participation by refugees and even less so on labor market participation by asylum seekers. Existing studies vary widely as to their approach and conclusions. However, most studies suggest that unemployment rates among refugees are above 30% and rates among asylum seekers are well above 50%.¹⁵

Research suggests unemployment rates above 50% among asylum seekers.

Furthermore, there is evidence that unemployment is more widespread among asylum migrants than among the general immigrant population and the population of third country (non-EU) immigrants.¹⁶ The unemployment rate of third country nationals can be taken as a reasonable lower bound when estimating unemployment among asylum migrants, but the actual rates are likely to be substantially higher.

Unemployment is higher than among third country nationals in general.

Table: Asylum migration in Germany, the United Kingdom and France

	Germany	United Kingdom	France
Asylum migrants' share of the non-EU foreign population in 2014	5.78% (asylum seekers) 5.54% (refugees)	1.5% (asylum seekers) 4.83% (refugees)	2.06% (asylum seekers) 9.32% (refugees)
Average length of the asylum process in 2014¹⁷	7.1 months	not surveyed, but exceeding the target length of six months	6.4 months
Main countries of origin (asylum applications), 2014¹⁸	Syria (20%) Serbia (13%) Eritrea (13%)	Pakistan (12%) Eritrea (10%) Iran (8%)	Dem. Rep. Congo (9%) Russia (7%) Bangladesh (6%)
Unemployment rate, 2014¹⁷	5.1% (general population) 12.1% (third country nationals)	6.3% (general population) 9.5% (third country nationals)	9.9% (general population) 24.8% (third country nationals)
Asylum migrants as fraction of total population, 2014¹⁹	0.28% (asylum seekers) 0.27% (refugees)	0.06% (asylum seekers) 0.18% (refugees)	0.08% (asylum seekers) 0.38% (refugees)

¹⁵ For instance, in case of the UK, [Carter \(2008\)](#) reports an unemployment rate among recognized refugees of 36% in 2003 but cites studies reporting 73% in 1997 and 42% in 1999. [Cebulla, Daniel and Zurawan \(2010\)](#) find that after 21 months of residence, 51% of recognized refugees are still unemployed. [Bloch \(2004\)](#) estimates the unemployment rate among refugees to be about 71%. Unemployment rates among asylum seekers are even higher. [Carter \(2008\)](#) reports an unemployment rate of 68% in 1999. Concerning refugees and asylum seekers in Germany, [Brücker, Hauptmann and Vallizadeh \(2015\)](#) report that only 8% are employed during their first year of residency, while after 5 years, the unemployment rate drops to 50%. Evidence from France is not available. [Ott \(2013\)](#) provides an overview of past studies on unemployment among refugees and stresses measurement problems.

¹⁶ See [Rea and Weis \(2014\)](#) for a survey of the small literature relating to unemployment among asylum migrants.

¹⁷ Figures are provided by <http://www.asylumineurope.org/> and [Hawkins \(2015\)](#).

¹⁸ Figures are provided by the UN High Commissioner for Refugees' Population Statistics Reference Database.

¹⁹ Figures are provided by [EMN \(2015\)](#).

Asylum migrants and the labor market: The legal status quo

Despite a partly common legal basis for processing asylum applications and the treatment of asylum migrants in the three countries, the rules structuring the asylum migrants' possibilities for labor market participation differ substantially from country to country.

Germany recently reformed its legal framework to allow asylum seekers easier access to the labor market, whereas the United Kingdom and France continue to discourage labor market participation of asylum seekers.

Reforms in Germany, deterrence in the UK and France.

In contrast, all three countries are dedicated to integrate recognized refugees into the labor market and grant full access to the domestic labor market once an application has been successful. Still, it is important to note that acquiring legal refugee status does not entitle migrants to participate in the Schengen area's common labor market. This requires full citizenship.

Two main policy instruments create the foundation for regulating asylum migrants' access to the labor market in all three countries: General **working bans** prohibit any employment for a certain time span. **Shortage occupation lists** selectively ease access to employment in occupations currently experiencing a labor shortage. They thus serve to ensure that asylum seekers' labor market participation does not interfere with the employment chances of unemployed native persons. In addition, Germany and France apply **priority checks**, i.e. before allowing an asylum seeker to take a specific job, they examine whether there exists any unemployed native or EU person also suitable for that particular job in unemployment databases – in which case the asylum seeker is denied employment. That is where the commonalities between the three countries end. The tools are applied differently in the three countries and there is considerable variation with regard to the use of additional policy tools.

General working bans, limitations to shortage lists and priority checks are the basis of the regulatory framework.

The variations reflect the respective general political strategy: While there is considerable openness to allowing more labor market participation by asylum seekers in Germany (among politicians as well as among the public), the British and French governments openly reject more labor market integration as part of their strategy to discourage economically motivated migration through the asylum channel as well as to keep the number of genuine asylum applications low.²⁰

Governments are reluctant to grant easier labor market access.

Legal status quo in Germany

Conditions differ for asylum seekers (“Aufenthaltsgestattung”) and tolerated residents (“Duldung”) during the first three months after their registration: Asylum seekers are generally prohibited from taking up any work, paid or unpaid. During the first 3 months, tolerated residents are prohibited from most jobs, too. However, they are allowed to start internships and apprenticeships, work for their relatives, and

General working ban of three months in Germany.

²⁰ A recent poll in Germany found that 84% of the respondents favored easier labor market access for asylum seekers, see [Thränhardt \(2015\)](#). For an exemplary statement by the British government, rejecting easier access, see [Gower \(2015\)](#).

engage in certain high skill occupations requiring a university diploma. After a waiting period of three months, asylum seekers are also allowed to take up these kinds of work.

Asylum seekers and tolerated residents are subject to mandatory residency (“Residenzpflicht”) during the first three months of their stay, usually restricting their freedom of movement to the *Land* in which their application is handled. After three months, asylum seekers are granted freedom of movement inside of Germany. However, as long as they are financially dependent on benefits, they are subject to mandatory domicile (“Wohnsitzauflage”) in the Land from which they receive benefits.²¹

Asylum seekers are subject to mandatory residency and mandatory domicile.

From the fourth month on, two tracks to employment are open to both asylum seekers and tolerated residents. Both tracks necessitate a case-by-case approval by the public authority responsible for foreigners (Ausländerbehörde), which is granted in most cases.

After three months of residency, employment is possible.

The first track to employment builds upon certain university and apprenticeship diplomas, a job on an official job shortage list published by the Federal Employment Agency and a minimum salary.²²

After a waiting period of three months, asylum seekers and tolerated residents

- who hold a **German university diploma** may enter any occupation for which the diploma qualifies them, without a minimum salary requirement
- who hold a **foreign university diploma** comparable to a German one may enter any occupation for which they qualify yielding an **annual gross salary of at least 48.400€** (Criteria for the EU Blue Card)
- who hold a **diploma from a foreign university** can also take up suitable jobs with a **minimum gross salary of at least 37.752€**, provided the occupation is found on the **official job shortage list** (mainly MINT and IT jobs) (Criteria for the EU Blue Card)
- who hold a **domestic apprenticeship diploma** can pick up any job they are qualified for
- who hold a **foreign apprenticeship diploma** may only work in jobs that can be found on the **shortage list** (mainly skilled crafts and trades, some industrial jobs, childcare and care for the elderly).

Easier labor market access for asylum seekers with diploma, sometimes limited to shortage occupations.

In addition to a work permit, the second track requires a **priority check** conducted by the employment agency. Independent of their educational background, asylum

²¹ Mandatory domicile means that the asylum seeker is not free to choose a place of living on his own. He is, however, allowed to temporarily leave the region anytime, as long as he stays in Germany. In contrast, mandatory residency restricts the asylum seeker’s freedom of movement to a specific *Land*, which he is not allowed to leave.

²² The [*Positivliste der Bundesagentur für Arbeit*](#) can be found on the agency’s website.

seekers and tolerated residents who were in residency for more than 3 but less than 15 months may take up any job after a priority check was conducted (“Vorrangprüfung”). If during that period an asylum seeker/tolerated resident and a potential employer come to an agreement, the employer has to get a confirmation from the employment agency that no unemployed native citizen, EU citizen or citizen of associated countries like Norway or Switzerland is available for the job in question. The procedure usually takes at least a month because all the various national unemployment databases have to be checked.²³ As soon as any unemployed person fit for the job in question is found in any of the unemployment databases, employment is denied to the asylum seeker/tolerated resident – it does not at all matter whether the prioritized unemployed person wants to take the job or not. Thus, the priority check effectively prohibits asylum seekers and tolerated residents from taking jobs that are not on the shortage list.

Priority checks effectively prohibit most employment.

After 15 months of residency, passing the Federal Employment Agency’s **priority check is no longer required** for asylum seekers and tolerated residents, which effectively **opens up most of the labor market to asylum migrants**. Also, once an asylum applicant becomes a recognized refugee (“Aufenthaltslaubnis”), all status-specific formal barriers to the domestic labor market are lifted.

After 15 months of residency, asylum seekers get full access to the labor market.

Independent of their tenure of residency, asylum seekers and tolerated residents are not allowed to start a business and engage in self-employment in any case, regardless of their prospects to generate income by self-employment and entrepreneurship.

Self-employment is prohibited.

Up until September 2015, asylum seekers have been prohibited from engaging in temporary employment for the first 4 years of their residency – which almost always was longer than their application process itself took. The 48 months ban on temporary employment has now been reduced to a 3 months ban, in accordance to the general employment ban.

Temporary employment has recently been legalized.

Legal status quo in the United Kingdom

The asylum application process in the United Kingdom is different from the German one in important ways. In particular, the rules relating to employment are simpler and more restrictive. Asylum seekers are generally not allowed to work unless they have been waiting for a decision on their application for more than 12 months and the processing delay has not been their fault. After the 12 months waiting period, they can apply for a work permit at the UK Border Agency, which gives them partial access to the labor market. Before and after the end of the waiting period, asylum seekers are free to participate in volunteering work without contractual obligations, which, however, does exclude internships or any training measures.

General working ban of 12 months in the UK.

If after waiting for 12 months asylum seekers acquire a work permit, they are only allowed to take jobs that are listed on the UK Border Agency’s official shortage

²³ The procedure is [documented](#) by the German government.

list.²⁴ Further, they can only hold jobs with a minimum weekly workload of 30 hours that pay an occupation-specific minimum salary. Almost all jobs on the shortage list require high qualifications and specialized skills, such as engineering, medical practitioners or IT professionals. Asylum seekers are neither allowed to be self-employed nor to found a business. Furthermore, asylum seekers may not engage in temporary work.

After 12 months, asylum seekers are limited to shortage occupations.

Self-employment and temporary work are prohibited.

Asylum seekers are allowed to enlist at UK universities but in general have to pay oversea student fees, which in most cases are prohibitively high. Furthermore, they are not allowed to engage in apprenticeship programs. The government does not provide language courses or other measures to enhance the asylum seekers' skills and to ease their labor market integration. Thus, asylum seekers waiting for a decision on their application are not only prohibited from working but furthermore are not encouraged to add to their human capital.

No access to activating labor market policies

After successful recognition as refugee, a five years residency permit (which can lead to a permanent residency permit) is obtained and the refugee is allowed to work without any restrictions. Tolerated residents are also allowed to work without restrictions. There are currently no plans to reform the laws concerning asylum seekers' access to the labor market.

Recognized refugees gain full access to the labor market.

Legal status quo in France

Asylum seekers are generally prohibited from working during the first nine months of their stay.²⁵ After this period, they can apply for a temporary work permit at their local prefecture, provided the delay in processing the asylum application was not their fault. To apply for a temporary work permit the applicant has to present a job offer or employment contract. Asylum seekers who appealed a denied application are subject to the same rules and can also apply for a work permit.²⁶

General working ban of 9 months in France.

The local prefecture has considerable discretionary power and can deny a work permit on the basis of the employment situation in the particular sector and the particular region even if the applicant has a job offer. The procedure is comparable to the priority check in Germany, but has a more local focus. In practice, asylum seekers are not able to work in occupations for which natives or EU citizens are registered as unemployed persons in their particular prefecture.

Asylum seekers are subject to priority checks with local focus.

In addition, if granted, work permits are issued only for a period of three months. In most cases, they can be renewed, but a renewal is not guaranteed. In practice, the long processing time for a work permit application and the three months limit discourage potential employers from issuing job offers to asylum seekers.

Working permits are only granted temporarily.

²⁴ The [Tier 2 Shortage Occupation List](#) can be found on UK government's website.

²⁵ Previously to July 2015, asylum seekers were prohibited from working for a whole year, but this [has been changed](#) in accordance with the EU directive.

²⁶ In contrast to Germany and the United Kingdom, almost every rejected asylum seeker in France files an appeal. A large fraction of the appeals is accepted.

No priority check for a work permit is required if the occupation in question is listed on the official job shortage list.²⁷ Notably, the list contains only 30 occupations. Shortages are specified for each region and there are only 6 occupations short-listed in all of France. Also, no priority check is conducted in case the asylum seeker qualifies for an EU Blue Card, i.e. has a job offer with at least 52,750.50€ in annual gross payment, among other conditions.

Only few shortage occupations are exempt from priority checks.

Asylum seekers have no regular access to government-provided language courses or job training measures. Furthermore, they are not allowed to engage in self-employment or temporary employment.

No access to activating labor market policies and self-employment.

Comparison: The main legal barriers

On first sight Germany, the United Kingdom and France apply similar instruments to restrict asylum seekers' access to the labor market. All three countries enforce a general employment ban for a period of several months after an asylum application has been filed. In addition, restrictions are used to grant native and EU citizens privileged access to open positions, i.e. priority checks and limitations to select occupations. Furthermore, all three countries prohibit asylum seekers from engaging in self-employment.

General employment bans, limitations to shortage lists and bans on self-employment are common.

But there are considerable differences as to the details: The general employment ban is shorter in Germany (3 months) than in the UK (12 months), with France taking a middle position (9 months). Therefore most applicants in the UK and in France are subject to the employment ban while their applications are pending. In contrast, in Germany the majority of asylum applicants are already eligible for a working permit although their applications are still pending.²⁸ Furthermore, asylum seekers in Germany can participate in government-provided activating labor market measures, which is not the case in the United Kingdom and France.

Asylum seekers are less restricted in Germany than in the UK and France.

The negative impact of restrictions

Even after the period of explicit employment bans asylum migrants, who do not belong to the group of highly-qualified migrants that can secure high-paying jobs, suffer from effective barriers in the form of priority checks and bans from jobs that are not to be found on shortage lists.

Restrictions prevent employment even after general working bans end.

Germany lowered the general working ban for asylum seekers to three months in 2015. But the Federal Employment Agency's priority check is required during the next 12 months. In 2014, it took an average of 7.1 months from first registration in Germany to a decision on an asylum application, with notable variation depending on

²⁷ The [Liste, par région, des métiers ouverts aux étrangers non ressortissants d'un état membre de l'union européenne, d'un autre état partie à l'espace économique européen ou de la confédération suisse](#) is published on the French government's website for the promotion of economic immigration.

²⁸ In Germany, asylum applicants on average wait for 7.1 months. In France, the process on average takes 6.4 months. The British government does not keep track on the average length of the asylum process, but most applications are processed after a year.

the nationality of the applicant (Pakistani applicants, for instance, on average waited for 15.7 months).²⁹ After 3 months asylum seekers are thus not explicitly banned from employment anymore, but while their applications are pending most of them cannot get a job without passing a priority check.³⁰

France also uses priority checks to restrict labor market access after the explicit employment ban for the first 9 months. In contrast to Germany, priority checks are required independent of the length of an applicant's residency.

Priority checks and limitations to shortage occupation are de facto employment bans.

In the **United Kingdom**, while no priority checks are applied, employment is strictly limited to occupations found on the official shortage list, arguably an even higher barrier than in Germany and France.

To conclude, decreasing the duration of the explicit employment ban (which has happened in Germany in 2015 and in France in 2014) only has symbolic value as long as other binding restrictions remain in place. In all three countries, discriminatory priority checks and/or limitations to shortage occupations continue to serve as *de facto* employment bans.

Hiring asylum seekers: Employees and employers face unnecessarily high uncertainty

A common feature in all three countries is that not only asylum applicants have to cope with uncertainty regarding their application, but employers also face a lot of uncertainty when offering a job to an asylum seeker. Some uncertainty is inherent to the application process as the future residency status of the employee has yet to be determined.³¹ But in particular three sets of regulations increase the uncertainty of asylum seekers as employees and their potential employers in the three countries. First, while in Germany and the United Kingdom, working permits are granted permanently once the conditions are met, in France, working permits have to be renewed every three months. Second, in all three countries, the authorities can withhold or withdraw working permits for disciplinary reasons. Third, if a priority check is required, the position has to remain vacant and the outcome of the check is uncertain.

Uncertainty experienced by employers is increased by regulations.

Uncertainty about the asylum seeker's future residency status cannot be eliminated, but further uncertainty induced by regulations that speak to the labor market access of applicants unnecessarily weakens their labor market prospects as employers are

Uncertainty lowers incentives to invest in human capital.

²⁹ See [Thränhardt \(2015\)](#).

³⁰ While in 2014, out of 8706 asylum seekers and 4259 tolerated residents who applied for a working permit, only **14.3%** saw their application denied because of a failed priority check, the fraction of asylum migrants not applying at all because they expect a negative priority check is probably higher.

³¹ However, there are rules of thumb based on the nationality of the asylum applicant. For example, Syrian applicants are nearly 100% sure to be granted some form of asylum in Germany.

less willing to offer long-term contracts to them and invest in their human capital.³²

Activating labor market policies and access to education

In all three countries, unemployed natives and EU-citizens are eligible for various activating labor market measures, i.e. they enjoy access to government-provided courses and skill training, and are matched with open positions by the national employment agencies. Asylum applicants, in contrast, do not benefit from most of the measures – mostly for legal ineligibility or because governmental agencies are insufficiently informed about their skill level and training needs.³³

Asylum seekers do not participate in most activating labor market policies.

This is regrettable. Even if asylum seekers are prohibited from working, applicants with a high probability of eventually being accepted could in the meantime acquire new skills and adapt old ones to prepare for their eventual labor market entry. Given that sample evaluations find the skill level of asylum seekers to be generally low,³⁴ the potential marginal gains from training are high for asylum seekers, who are relatively young on average.³⁵

Potential marginal gains from training are high.

In particular, human capital in the form of language proficiency has proven to be of great value.³⁶ Currently, asylum seekers in the United Kingdom and France have no access to government-provided language courses. In Germany, some asylum seekers have access to language courses, but quality and availability vary depending on the *Land* in which the asylum seeker is registered.

Language courses are particularly valuable.

Whereas asylum seekers can build up experience via internships or apprenticeships in Germany from the third month of their residency onwards, there are no such opportunities in the United Kingdom and France.

Access to the various existing programs for native and EU workers, however, does not only depend on the legal framework. In addition, officials need to check and recognize the asylum applicants' skill and educational background in order to channel them into appropriate programs. Information on the applicants' educational background would also enable the employment agencies to match asylum migrants with open positions. However, in many cases asylum seekers cannot provide proofs of their educational attainment.

Authorities face difficulties when assessing asylum seekers' skill level.

³² [Thränhardt \(2015\)](#) found that the main reason for Germany employers not to consider asylum seekers is the associated uncertainty.

³³ While asylum seekers in principle have access to the services offered by for-profit education providers, lack of liquidity and restrictions such as mandatory residency limit their use by asylum seekers.

³⁴ See, for instance, [Brücker, Hauptmann and Vallizadeh \(2015\)](#) on the skill level of asylum seekers and refugees in Germany.

³⁵ In 2014, according to Eurostat data, 79% of asylum applicants in Germany were less than 35 years old, compared to 36.4% in the total population. In the United Kingdom, 76% of applicants were of age less than 35 years, whereas the corresponding fraction of the total population was 43.9%. In France, figures are only available for 2013. 73% of asylum applicants and 42.6% of the general population were less than 35 years old.

³⁶ See the literature overview on language proficiency and labor market success by [Ispording \(2014\)](#).

Emphasis on high skill and shortage occupations, self-employment prohibited

While adhering to the general philosophy that asylum seekers' labor market participation should not lower the prospects of natives and EU citizens, all three countries allow for easier labor market access for asylum seekers who take jobs in occupations currently experiencing a shortage of workers. In addition, in Germany and France the barriers are lower for asylum seekers with a high skill level (and thus potentially high incomes).

Governments wish to channel employment into shortage occupations.

Both the German and the French regulatory framework feature explicit tracks for high skilled asylum seekers to employment, based on formal qualifications (i.e. university diplomas) in combination with minimum income requirements. In both countries, meeting the EU Blue Card requirements allows skipping the priority check. In contrast, the United Kingdom (which does not participate in the EU Blue Card scheme) has no explicit policy of easing labor market access for high skilled applicants. By not applying the priority check, all three countries also lower labor market barriers for applicants who apply for shortage occupations.

Priority checks are also waived for high skilled individuals.

Regulation thus considers (perceived) economic needs. Those needs, however, are not expressed by employers or consumers but by bureaucrats drafting the official shortage lists and performing the priority check.³⁷ Especially striking is the case of France, which limits employment to shortage occupations (apart from the EU Blue Card qualification), but last updated its official shortage list in January 2008!

Governments focus on perceived economic needs rather than fostering self-reliance.

Self-employment is denied to asylum seekers in all three countries, thus further demonstrating the will to micro-manage asylum seekers' employment prospects, rather than to promote their economic participation and self-reliance.

Table: Asylum migration in Germany, the United Kingdom and France

	Germany	United Kingdom	France
Duration of explicit working ban	3 months, apprenticeships and internships are possible	12 months	9 months
Application of priority checks	15 months, with exceptions for high skilled individuals and shortage occupations	No priority checks, but employment strictly limited to shortage occupations	Indefinitely, except for shortage occupations; local authorities have discretionary decision power
Access to activating labor market policies	Yes, but limited	No	No
Self-employment possible	No	No	No
Privileged labor market access for high skilled asylum seekers	Yes, if EU Blue Card criteria are met	No	Yes, if EU Blue Card criteria are met

³⁷ In the United Kingdom, the shortage occupation list is actually written by a non-governmental expert committee but has to be approved by the government.

Easing access: Reform proposals

Employment is an important means to self-sufficiency and lowering the fiscal burden of asylum migration for host societies. In order to substantially improve the employment prospects of asylum migrants, we propose four reforms.

1. Abolish explicit employment bans and employment restrictions

We recommend the abolition of both explicit employment bans and employment restrictions such as priority checks and limitations to shortage occupations.

Explicit employment bans have been used as a means to discourage attempts of economically motivated immigration through asylum applications. Instead of discouraging potential migrants to apply for asylum by banning all asylum seekers temporarily from employment, asylum seekers should have the opportunity to engage in productive activities while their applications are pending to increase the probability that those whose applications are successful can maintain themselves. In light of current developments and expected future asylum migration, it is thus more important to encourage labor market participation and foster trust in the responsibility of the authorities to competently decide on asylum applications.

Early labor market access increases asylum seeker's probability of maintaining themselves.

Eliminating explicit employment bans, priority checks and limitations to shortage occupations would not only lead to welfare gains by removing the main barriers to labor market entry, but also by lowering bureaucratic control costs and by reducing uncertainty on the part of employers.

Lower bureaucratic costs and less uncertainty.

2. Allow temporary work for asylum seekers

We recommend the abolition of all legal barriers to temporary work for asylum seekers.

Temporary employment has proven to be an attractive labor market entry point for low skilled and inexperienced workers. In Germany, the share of foreign workers in temporary employment amounts to 22%. Temporary employment typically requires few skills and formal qualifications, thus being particularly attractive to most asylum seekers.³⁸

Temporary employment is attractive due to low skill requirements.

Furthermore, the possibility of short-term contracts without heavy future obligations lowers uncertainty among employers regarding the future residency status of asylum seekers, thus making employment more attractive.³⁹ Firms specializing in temporary employment are experienced in coping with fluctuations in their work force and are most likely to hire asylum seekers with uncertain future residency status.

Temporary work agencies are trained in coping with uncertainty and fluctuations.

In France and the United Kingdom, asylum seekers are not allowed to engage in

³⁸ See [iGZ \(2015\)](#).

³⁹ In a newspaper article from September 2015, German employers declared that uncertainty regarding the future residency status was their main reason not to employ asylum seekers, see [Bielicki, Hampel and Ratzesberger \(2015\)](#).

temporary employment. Germany just abolished its formal ban on temporary employment for asylum seekers, although this form of employment is still subject to the general ban on any employment during the first three months. This is a step into the right direction, although we recommend allowing temporary work from the first day of residency onwards to further ease the asylum seeker's way into the labor market.

3. Give asylum seekers easier access to activating labor market measures

We recommend to assess asylum seekers' educational and skill background upon registration, to grant employment agencies access to the data, and to allow the participation of asylum seekers in activating labor market measures such as language courses and skill training.

Getting to know asylum seekers' skills and educational background helps integrating them into existing mechanisms, such as the employment agency's matching with open positions. Therefore, we recommend creating a skill profile as a standard procedure during the registration process, accompanied by testing procedures in the probably frequent cases where certificates and diplomas have been lost. In a second step, asylum seekers should gain access to activating labor market policies, at least if their probability of eventually being recognized is relatively high.

Authorities need to assess skill levels early on.

Whereas including asylum seekers in activating labor market programs of this kind is not considered desirable in France and the United Kingdom at the time,⁴⁰ there are some reform proposals debated in Germany. Experience from such projects as the German project "Early Intervention – Labour Market integration of Asylum Seekers" demonstrates the potential of successfully including asylum seekers in existing activating programs.⁴¹

First experiences with early labor market integration in Germany.

The integration of asylum seekers in existing programs, as well as the creation of new programs obviously brings about additional costs. Those costs, however, are minor compared to the benefits of preventing long-term unemployment and marginal employment.

Preventing long-term unemployment.

4. Allow self-employment for asylum seekers

We recommend to allow asylum seekers to found enterprises and to engage in self-employment under the same legal restrictions as natives and EU citizens.

Even if there were no legal barriers to entry into the labor market by way of employment, asylum seekers would face some difficulties to find employment. Neither are they fluent in the local language nor are they accustomed to local conventions at the workplace. Both can be acquired and lack thereof can be compensated for by lower wages, but for some asylum seekers self-employment or an own enterprise may be an attractive alternative to dependent employment, especially

For low-skilled asylum migrants, self-employment poses an attractive alternative.

⁴⁰ See the European Commission's [Ad-Hoc Query on Asylum seekers integration to labour market](#) from March 2015.

⁴¹ On the German project, see [Daumann \(2015\)](#).

if a minimum wage does not allow them to accept lower wages.

In most OECD countries the rate of self-employment among the foreign born population in general is about as high as among natives, which is also true for Germany (about 11% for both groups), the United Kingdom (14% for natives, 15% of the foreign born) and France (11% for natives, 13% of the foreign born).⁴² It is reasonable to expect that the share of self-employed asylum seekers would be roughly the same if only self-employment was not ruled out for them.

Self-employment rates among foreign born population are as high as for natives.

Self-employment or running one's own business is attractive for some migrants since lack of familiarity with the local language and conventions at the workplace and the absence of documented qualifications are less of a disadvantage.⁴³ Allowing asylum seekers to engage in entrepreneurial activities would open up another avenue into the labor market and further increase the probability that asylum migration is beneficial for natives and migrants alike.

Lack of language proficiency and documented qualifications less of a disadvantage.

General legal barriers

In addition to rules that specifically aim at hindering labor market entry for asylum migrants, general labor market regulations that apply to the entire work force potentially have particularly adverse effects on the employment prospects of asylum migrants. Labor market entry barriers that do not result from the migrants' residency status may hit the migrants harder than members of the native-born work force because the average migrant's level of relevant human capital is lower: A lower level of education, language difficulties, and a lack of locally relevant knowledge leave migrants vulnerable to well-meaning but potentially entry-barriers-erecting labor market regulations. For migrants as a group, negative employment effects of minimum wages, employment protection legislation, and occupational licensing may be more pronounced than for the native-born population.

Minimum wages, employment protection and occupational licensing hit asylum migrants harder.

Minimum wages

The employment effects of minimum wages are one of the most hotly debated issues in empirical economics. A minimum wage set above the market clearing wage usually reduces employment and leaves some workers unemployed who would be willing to work additional hours at the minimum wage but cannot find any employers willing to take the offer at that wage.

Minimum wages usually reduce employment.

The empirical literature focuses on markets for low-skill labor because on those markets minimum wages are potentially binding. Most of the studies find moderate negative employment effects through increased minimum wages – a 10% increase in the minimum wage being associated with roughly a 1-3% reduction in employment.⁴⁴ But there are also studies that do not find negative employment effects of increases in

Most studies find moderate negative employment effects.

⁴² The figures are provided by [OECD \(2013\)](#).

⁴³ See [Clark \(2015\)](#) for an overview.

⁴⁴ For an overview see, for instance, [Neumark and Wascher \(2007\)](#).

the minimum wage.⁴⁵

Direct evidence on the effect of minimum wages on the employment prospects of migrants is rare and limited to the U.S. and the UK. As in the case of the literature concerning the general effects of minimum wages the results are mixed.⁴⁶

The literature on the employment effect of minimum wages in general and with regard to migrants in particular definitely does not allow for the conclusion that negative employment effects of minimum wages can be ruled out. Instead, one conclusion from the minimum wage literature is that if there are negative employment effects migrants are likely to suffer more than the native-born population because migrants on average are equipped with only relatively little human capital.

Immigrants are likely to suffer more than native-born workers because of less human capital

However, a broader literature also speaks to the effects of minimum wages. First, there is a consensus that the effects of low-skill immigration on wages of natives are only small.⁴⁷ That suggests a highly elastic demand for labor which in turn suggests that negative employment effects of increases in the minimum wage are considerable. Second, there is a consensus in the literature that labor market regulations that raise the cost of labor have a negative effect on employment.⁴⁸ If that holds true for various kinds of regulations it is reasonable to expect it to hold true for minimum wages, too. Third, the theoretical and empirical literature on business cycles suggests that downward rigidity of nominal wages leads to increases in unemployment during recessions.⁴⁹ Minimum wages obviously add to the downward rigidity of wages and can thus be expected to reduce employment.

Theoretical arguments also suggest negative employment effects.

Our reading of the large general minimum wage literature, the small literature that investigates effects of minimum wages on immigrants, and the broader literature on labor markets that is relevant for our the understanding of the effects of minimum wages, lets us expect negative employment effects of the minimum wages for asylum

⁴⁵ See, for instance, Card and Krueger (1995).

⁴⁶ For an overview see [Zavodny \(2014\)](#) who concludes that there is no evidence of a negative employment effect for migrants. But see also [Cadena \(2014\)](#) who finds that in the U.S. low-skilled immigrants tend to move to locations with stagnant minimum wages whereas high-skilled immigrants' location choices are not affected by minimum wages. The findings are evidence of a non-trivial negative employment effect for low-skilled immigrants.

⁴⁷ See the extensive literature survey by [Kerr and Kerr \(2011\)](#), who report that almost all empirical studies find either no or only small wage effects in response to labor immigration. For the German case, [Brücker and Jahn \(2010\)](#) find that a 1% increase in the German labor force due to immigration reduces wages by 0.1%. [D'Amuri et al \(2009\)](#) find that while German native wages are not affected by immigration, there are small adverse effects on the wages of former migrants. [Steinhardt \(2009\)](#) finds stronger negative effects on natives working in the German primary services sector.

⁴⁸ See the seminal paper by [Siebert \(1997\)](#). [Blanchard and Wolfers \(1999\)](#) find that poor labor market institutions explain higher unemployment rates. [Orrenius and Solomon \(2006\)](#) discuss the adverse effects of labor market regulation on immigrants' opportunities and find a strong correlation between labor market regulation and unemployment among immigrants.

⁴⁹ See, for instance, [Bartolucci \(2012\)](#), who finds that downward rigidity of nominal wages can explain higher unemployment during recessions. The negative employment effects of downward wage rigidity are a feature of most macroeconomic models; see [Schmitt-Grohé and Uribe \(2013\)](#).

migrants in Germany, the UK and France.

Infobox: Minimum wage legislation

The **United Kingdom** has a national minimum wage (NMW) since April 1999 (replacing the system of sector-wise wage control). The minimum wage is reviewed once a year (in October) by a commission. The wage floor is different for different categories of workers, mainly depending on age and education level. From 2016 on, there will be an additional wage floor for those of age 25+. Collective bargaining plays a minor role in the UK, such that the NMW is the relevant binding floor for most occupations. **The main minimum wage (for those of age 21+) is £6.50.**

Germany has a national minimum wage since January 2015 (complementing the system of sector-specific minimum wages, which are often higher than the NMW). The minimum wage is reviewed by a commission every other year. There are some exceptions to the minimum wage, for example for students, adolescents and long-term unemployed. **The minimum wage is 8.50€.**

France has a national minimum wage since 1950. The minimum wage is set annually (in July) by the government, advised by a commission. There are some exceptions to the minimum wage, for example for adolescents, apprentices and disabled workers. There are also many collective bargaining agreements mandating higher sector-specific wages. The French government subsidizes employment contracts at the minimum wage: Full social contributions are only to be paid when the wage is at least 1.6 times as high as the minimum wage. **The main minimum wage is 9.61€.**

Proposal: Don't apply minimum wages to asylum migrants

To facilitate the labor market access of asylum migrants and to increase the probability that they are net fiscal contributors they should not face any potential entry barriers stemming from minimum wage legislation. High-skill asylum migrants are not affected by the minimum wage legislation either way. The numerous low-skill asylum migrants are likely to suffer from negative employment effects and therefore a minimum wage should not apply to their labor contracts. At least two options are available: Either exceptions from the minimum wage for asylum migrants similar to those for students and adolescents are granted or national minimum wages are eliminated.

Exceptions from the minimum wage benefit low-skilled asylum migrants.

We would prefer the complete abolition of minimum wages and their replacement by a negative income tax or a mechanism that subsidizes low-paying jobs instead of taxing them and at the same time gives employees an incentive to search for better-paying jobs. Given the status quo, we consider the next best solution to be to allow exceptions from the minimum wage for asylum migrants, while the general minimum wage legislation remains unchanged. This is only the next best solution because low-paying jobs of non-asylum migrants continue to be taxed and not subsidized, some will complain that migrants are discriminated against because they are not guaranteed

Exceptions are second-best to a complete abolition of minimum wages.

the national minimum wage conditional on having a job, and some others will complain that low-skilled natives are discriminated against because they cannot compete by lowering their asking wages while asylum migrants would be able to do just that.⁵⁰

Employment protection laws

The more costly it is for firms to lay off employees due to employment protection laws, the less they are inclined to hire as they anticipate the firing costs. It is therefore not surprising that in countries with more stringent employment protection laws both the employment tenures as well as the stints of unemployment are longer than in countries with less stringent employment protection laws.⁵¹

Employment protection prolongs tenures and length of unemployment by increasing costs for employers.

Asylum migrants, like young people who aim at entering the job market for the first time, differ from the rest of the native work force by not having any (or only little) work experience in the host country. A firm that considers hiring an asylum migrant therefore faces a higher uncertainty with respect to the match between the firm and the potential employee. Given greater uncertainty but the same firing cost, part of which is due to employment protection laws, migrants potentially find themselves at a disadvantage compared to native workers. The reason for the disadvantage are not differences in human capital, but solely stems from the higher risk that the employee and the firm do not fit to one another.

Hiring asylum migrants is associated with high uncertainty, part of which is due to employment protection.

The literature on the consequences of employment protection laws for immigrant workers is small and provides mixed evidence.⁵² The OECD provides indices on employment protection running on a scale from 0 (no protection) to 6 (heavy protection).⁵³ According to their scale, regarding individual and collective dismissals, in 2013 Germany scored 2.68, France scored 2.38 and the United Kingdom scored 1.1, while the OECD average was 2.04.⁵⁴

A small literature finds mixed evidence.

⁵⁰ A third option would be to apply the minimum wage to asylum seekers while subsidizing companies for specifically employing them. Due to experience with the French minimum wage system – which uses a mix of mandatory minimum wages and employment subsidies – we do not recommend this option.

⁵¹ For an overview of the theoretical and empirical literature on the effects of employment protection legislation see, for instance, [Skedinger \(2011\)](#).

⁵² See [Skedinger \(2010\)](#), pp. 96-98 for a survey. For instance, [Sá \(2008\)](#) argues that immigrant workers benefit from more stringent employment protection as they are less likely to claim their rights than native workers and thus less costly for employers. In contrast, [Kahn \(2007\)](#) finds that employment protection hurts immigrant workers, especially women.

⁵³ The OECD indicator incorporates many indicators such as the length of mandatory periods of notice, the amount of severance pay, legal definitions on unfair layoffs and union involvement. For a documentation, see [OECD \(2013b\)](#).

⁵⁴ For an interesting comparison, the United States of America scored 0.26 and the most heavily regulated European country was Portugal with a score of 3.18.

Infobox: Employment protection legislation

The **United Kingdom** has comparatively low employment protections standards. Unions do not have to be consulted when layoffs are planned, except for cases in which a lot of layoffs are expected. Employers are only obliged to report reasons for dismissals if the particular employee was in service for at least 2 years or became pregnant and/or is on maternity leave.

There are no general minimum requirements regarding **severance pay** in case the dismissal resulted from a mismatch or inabilities of the employee. Only if workers with at least 2 years tenure are fired because of redundancy, is compensation mandatory. In this case, they are calculated according to the employee's age and length of service, with a maximum of 30 weekly wages and £ 464 per week.

A mandatory **period of notice** only applies to workers with tenure of more than 2 years. In this case, the period of notice is one additional week for every year of tenure, up to 3 months. If 20 (100) or more workers are involved, the period of notice has to be at least 30 (45) days.

Germany has extensive employment protection legislation. General employment protection applies to all firms with more than 10 workers and all employees who have been employed for at least six months.

Apart from regulating in which cases layoffs are lawful, legislation provides fired employees with a claim to **severance pay** if he chooses not to sue his employer. In most cases, severance pay amounts to 0.5 times the monthly wage for every year of tenure, up to 18 months worth of wages.

In addition, legislation mandates a **period of notice**, ranging from a minimum of 4 weeks up to seven months, depending on job tenure. Only in some cases a period of two weeks is mandatory, for instance in case of employees younger than 25 or employed less than 6 months.

In **France**, employees can in general be laid off for personal or economic reasons but legislation knows several cases in which layoffs are defined as unfair and thus not allowed, for example if sales of the company increased markedly. General employment protection applies to businesses of all sizes. Business with more than 50 employees wishing to lay off 10 or more workers within one month have to follow stricter rules, including a mandatory employment preservation plan.

The mandatory minimum **severance pay** applies to all employees with tenure of more than one year. It amounts to one fifth of the monthly salary per year of tenure plus an additional two fifths per year after 10 years. Compensations can increase markedly if a court finds the dismissal unfair and the employee chooses not to request reinstatement in his old job.

For workers employed less than six months, there is no mandatory **period of notice**. Employees with at least six months of tenure have to be noticed 4 weeks in advance, for all employees with more than two years of tenure, the period of notice is 8 weeks.

Proposal: Ease employment protection for asylum migrants

The supporters of employment protection may have the interests of the employed in mind. However, in the case of asylum migrants, as in the case of other marginal groups such as the young, the regulation is likely to harm those it is supposed to help. In order to reduce the barriers to labor market entry for asylum migrants we propose to ease the employment protection laws by eliminating severance pay in case of no-fault dismissals and reducing the minimum period of notice. Asylum migrants will then have less job security conditional on having a job, but their chance of having a job in the first place increases as well as the probability that they are not net fiscal receivers.

Eliminating severance pay and reducing the period of notice.

Occupational licensing

In Germany, the United Kingdom and France, various occupations are subject to legal entry regulations. Most commonly, governments regulate entry by requiring a license based on criteria such as educational attainment and documented experience. In these cases, practice of the protected occupation is illegal if no license was attained.⁵⁵ Typical examples of occupations with licensing requirements are nursing, craft-related occupations and the classical liberal professions.

Occupational licensing is widespread in Germany, the UK and France.

Consumer protection motives justify some licensing.

Occupational licensing typically is publicly justified as protecting consumers from being harmed by incompetent practitioners when it is difficult for consumers to validate quality on their own due to a lack of technical, medical or other relevant knowledge.

But licensing decreases competition and labor mobility.

However, licensing requirements may come at the expense of limiting competitive pressure, leading to higher prices, worse quality, less innovation and consequently less consumption.⁵⁶ There is also evidence that licensing requirements decrease labor mobility – both geographically and between occupations.⁵⁷ Furthermore, workers equipped with little human capital are hurt by licensing requirements, as they are prevented from compensating for their lower-quality services by demanding lower prices or wages.

Immigrants are less likely to work in licensed occupations.

There is little research on the effects of occupational licensing on immigrant workers, but existing studies suggest that immigrants are less likely to work in occupations regulated by licensing requirements than natives of comparable skill level.⁵⁸ A straightforward reason is that foreign educational and training attainments are less likely to be recognized by the authorities. Asylum seekers face the special difficulty of often not being able to present proof of their training and experience because

⁵⁵ Less strict entry regulations include mandatory registration at a regulatory agency when entering a certain profession and the possibility to use legally protected job titles upon meeting certain criteria.

⁵⁶ See, for instance [Kleiner and Krueger \(2010\)](#) and [Kleiner and Krueger \(2013\)](#), who find substantial wage premiums associated with occupational licensing.

⁵⁷ For a survey on the relevant literature, see [Forth \(2011\)](#).

⁵⁸ See [Gomez et al. \(2015\)](#) and [Koumenta et al. \(2014\)](#).

documents got lost.

An additional problem faced by immigrants is that fulfilling the licensing requirements often involves investment into location-specific human capital and knowledge.⁵⁹ Such disadvantages experienced by immigrants are mediated to the extent that licensing regulation is harmonized between the sending and the receiving country – as is happening inside the European Union.⁶⁰ However, there is typically little to none harmonization between countries from which asylum seekers flee and their destination countries.

Asylum migrants have difficulties to fulfill licensing requirements.

In the European Union, about 10-24% of the labor force is employed in occupations subject to legal entry regulations.⁶¹ While the United Kingdom (11-21%) and France (13-20%) are in line with the European average, occupational licensing is especially pronounced in Germany (up to 31%). There are over 800 different occupations regulated across the European Union, but about 25% of these are only subject to licensing in a single country, including many occupations with low skill requirements like barmen and chambermaids.⁶² This observation lends further credibility to the claim that many occupational licensing regulations in fact serve to protect incumbents from competition without benefits in the form of consumer protection.

Occupational licensing varies much across Europe, suggesting that consumer protection is not the prime motive.

Infobox: Occupational licensing

In the **United Kingdom**, occupation licensing is limited to a few professions and has to be granted on case-by-case basis by national or regional governments. While, according to EU databases, 131 occupations are subject to some kind of regulation, only few involve licenses.

Professional associations have long been engaged in state-sanctioned self-regulation to establish **certification and registration** schemes. Under such schemes, certain professional titles can only be used after acquiring a certificate, most often by standardized tests. Often practitioners have to register their business, but it is allowed to engage in the particular occupation without holding a license.

However, over the last years, **licensing restrictions** have become more common. They are either implemented at the national or at regional levels. Occupations subject to licensing by a regulatory body include the medical profession, taxi drivers, child care workers and market and street traders. Other professional associations like the Hairdressing Council have been campaigning for licensing regulation for a long time but have not yet been successful.

Some licensing restrictions stem from **European legislation**, for instance in the case of aircraft mechanics and also hold in Germany and France.

⁵⁹ See [Pashigian \(1979\)](#), [Dorsey \(1983\)](#) and [Federman, Harrington and Krynski \(2006\)](#).

⁶⁰ However, even inside the European Union, there is much scope for reforms, see [Booth et al \(2013\)](#).

⁶¹ See [Koumenta et al. \(2014\)](#), who stress that their measure is subject to several measurement problems.

⁶² See [Booth et al \(2013\)](#), p. 20.

The **German** occupational licensing system has been described as “the most intense and comprehensive amongst all its European counterparts”⁶³ and is concentrated in the liberal professions, craft-related occupations and occupations deemed of special public interest, mostly due to security concerns. In addition, in many occupations, practitioners are compulsory members of semi-public authorities like the commercial chambers, which enforce binding licensing regulations.

Entry into most **liberal professions** of all skill levels like doctors, pharmacists, midwives, journalists and free-lancing nurses is regulated by occupation-specific requirements like university diploma, practical work experience and entry tests. In some liberal professions, practitioners are not free to set fees for their service but have to comply with compulsory fee lists.

Craft-related occupations like painters, roofers and hairdressers are heavily regulated. In particular, in 41 occupations, practitioners need to acquire a master craftman’s diploma before being allowed to start their own businesses. Acquisition is costly (€ 25,000-50,000) and can take up to two years of full time study. In most cases, acquiring a diploma requires several years of practical experience.

Some occupations are regulated due to **security concerns**, including low skill occupations like elderly care, watchmen and transport businesses. Specific requirements for acquiring a license differ and include capital requirements and personal ability tests.

Occupational licensing in **France** is less restrictive than in Germany but more so than in the United Kingdom. It is primarily driven by professional associations who develop licensing requirements such as educational or vocational training, while the national government eventually enforces and controls these standards.

Among the occupations with **licensing requirements** are attorneys, architects, taxi drivers, driving schools and teachers. In some cases, local merchants can veto the establishment of new businesses in their geographical area, thus deterring entry.

Proposal: Abolish profession-specific licensing requirements if in any EU-country that profession does not require any license.

For some professions licensing requirements are socially beneficial. Especially if customers cannot easily judge the quality of a good or service provided and differences in quality may imply vast welfare differences, some licensing is likely to be socially desirable — health services may be one such example. There are, however, also professions for which licensing is socially not desirable as it serves the purpose of protecting established providers of the service in question from new entrants rather than protecting customers. It is difficult to say which professions fall into which camp.

While licensing schemes are beneficial in some occupations, it is hard to identify them.

A way out is to exploit the variation of licensing requirements across EU countries. If not licensing a certain profession in one country has not led to negative consequences

⁶³ See [Garoupa \(2004\)](#).

for consumers in that country, it is likely that abolishing the licensing requirements of the same profession in another country is also not going to bring harm to consumers. Therefore, we recommend a "rush to the bottom".

A "rush to the bottom" ensures genuine consumer protection and eases access for asylum migrants.

Any profession that is free of licensing in any EU country should be free of licensing in all the other EU countries too. To give one illustrating example: Whereas in Germany a license is required to run a hairdressing business, no such profession-specific license is required in the UK, where customers do not seem to suffer from the absence in licensing requirements. In this case, Germany should thus follow the UK's lead.

What to expect

The reforms we propose would eliminate all status-specific labor market entry barriers that currently result from rules and regulations that apply specifically to asylum seekers and tolerated residents and reduce the entry barriers they face from general labor market regulations. The potential improvements from the proposed changes are substantial.

Currently, asylum migrants show the highest unemployment rates among all immigrants. Official statistics are not available, but most estimates find rates above 30% for recognized refugees and well above 50% for asylum seekers. Some estimates report substantially higher rates. The share of the unemployed among asylum seekers and refugees decreases with the length of residency, but converges to the unemployment rate among the general third country nationals population (20.3% on average in the EU in 2014) only slowly.⁶⁴

Unemployment is highly persistent among asylum migrants and higher than among the general third country population.

Although we would expect substantial positive employment effects from the implementation of our recommendations, the positive effects would be limited. We perceive the country-specific unemployment rates of third country nationals as lower bounds for the unemployment rate of asylum migrants. In 2014, the unemployment rate for third country nationals amounted to 12.1% in Germany, 9.5% in the UK, and 24.8% in France.

It is unlikely that unemployment among asylum migrants will decrease to rates comparable to third country nationals.

In all three countries the difference between unemployment rates for third country nationals and those for excepted refugees (more than 30%) and asylum seekers (well above 50%) is large. Therefore, even if the proposed changes fall considerably short of reducing the unemployment rates of expected refugees and asylum seekers to that of third country nationals, the positive employment effects can be huge.

Currently, the unemployment rate especially among asylum seekers and tolerated residents appears to be so high that even after cutting it in half in many countries it would still be twice as high as the unemployment rate for third country nationals. This is daunting and promising at the same time, since it points to the vast amount of

But still, even moderate reforms can lead to huge employment effects.

⁶⁴ For instance, [Brücker, Hauptmann and Vallizadeh \(2015\)](#) find that it takes asylum migrants 15 years to be employed as likely as other migrant groups.

labor resources that currently lie idle, but also suggests that the proposed changes have the potential to reduce the unemployment rates of the various groups of asylum migrants by many percentage points. Given very high unemployment rates among asylum migrants, it is to be expected that even a modest reduction of entry barriers to the labor market would increase employment substantially.

The more asylum migrants engage in productive activities, the more likely it gets that the net balance of asylum migration is positive for natives and migrants alike. The case of Germany highlights the costs associated with prolonged unemployment. It is estimated that government expenses per asylum seeker add up to at least 1000€ per month.⁶⁵

In Germany, monthly expenses per asylum seeker: at least 1000€.

Preventing an additional month of unemployment by an asylum seeker thus could reduce the fiscal burden of asylum migration by at least 1000€. Since employees are fiscal net contributors, the 1000€ underestimate the potential reduction in the fiscal burden.

Employed asylum migrants further contribute to the fiscal balance.

While the benefits available to asylum seekers are differently structured in the United Kingdom and France, it is reasonable to expect that the fiscal burden will be approximately the same in these two countries. If the recommendations we propose lead on average to a three-months reduction in the stints of unemployment of newly arriving asylum migrants the fiscal balance of individual asylum migrants would on average improve by at least 3000€. Shorter periods of unemployment right after arrival in the host society will also improve the migrants' labor market prospects in the receiving country should he be accepted as a refugee, further increasing the positive employment and fiscal effects of the proposed changes that come along with low costs of implementation as they primarily constitute the lifting of current regulatory restrictions.

If reforms reduce the stint of unemployment by three months, the fiscal balance would improve by at least 3000€ per asylum migrant.

Conclusion

Migration, and especially asylum migration, potentially allows people to improve their lives dramatically by moving from destitute countries to more prosperous and more peaceful countries. The extent of the gains and losses from migration for the migrants as well as for the members of receiving countries, however, are not fixed. One factor that affects the consequences for natives and migrants alike are the labor market policies to be found in receiving countries. They have a direct influence on the employment prospects of asylum migrants and an indirect effect on the fiscal burden of migration born by the current members of the receiving population.

Labor market policies influence employment prospects of asylum migrants and the fiscal burden of migration.

In light of the expected continued asylum migration to EU countries especially from countries in the Middle East, Central Asia, and Africa, we propose to reduce the labor market entry barriers for asylum migrants. Barriers that have been erected in

⁶⁵ This is from [estimates by the German government](#), which expects annual expenses of 12,000€ to 13,000€ per asylum seeker that cover most of the costs. For details on allowances and other benefits for asylum seekers in Germany, the UK, and France, see the appendix "Benefits to asylum seekers".

the form of regulations that explicitly limit the employment possibilities for asylum migrants should be eliminated entirely. General legal barriers that are likely to have relatively stronger negative employment effects for asylum migrants than for other labor market participants should be reduced.

Barriers to employment specifically targeting asylum migrants should be eliminated, general legal barriers reduced.

The proposed changes stand to benefit asylum migrants by improving their employment chances, have the potential to reduce the fiscal burden of migration for the receiving countries' population, and are easily implemented as they primarily call for the elimination of existing regulations and the accompanying administrative tasks.

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Appendix: Benefits to asylum seekers

	Germany	United Kingdom	France
Monthly allowance while in reception center	143€ for singles 129€ when living with a partner 113€ for additional adults in the household ~87€ per child	No reception centers	Differs widely depending on region and situation of the asylum seeker (between 91€ and 718€ in 2014)
Monthly allowance while in private accommodation	216€ for singles ⁶⁶ 192€ when living with a partner 174€ for additional adults in the household ~163€ per child	200€ per person ~20€ for pregnant women or women with children under 3.	343,50€ per adult person No payments for children
Other benefits	Free healthcare Free school education Free housing Benefits in kind (mainly clothing and food) while in reception center	Free healthcare Free school education Free housing 405€ one-time payment in case of pregnancy	Free healthcare Free school education Free housing

⁶⁶ After 15 months, asylum seekers get the same benefits as native unemployed people. In case of a single without children, this amounts to 399€ per month.

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