



Mercator Dialogue on
Asylum and Migration



**2018 MEDAM ASSESSMENT REPORT
ON ASYLUM AND MIGRATION POLICIES IN EUROPE**

Flexible Solidarity: A comprehensive strategy for asylum and immigration in the EU

FUNDED BY

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Mercator Dialogue on Asylum and Migration (MEDAM)
Kielline 66 | 24105 Kiel | Germany
Telephone: +49 431 8814-329; Internet: www.ifw-kiel.de and www.medam-migration.eu

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ISSN (Print): 2567-6083

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Acknowledgements

This report was written by a team led by Matthias Lücke. Core team members were Esther Ademer, Mikkel Barslund, David Benček, Mattia Di Salvo, Dominik Groll, Rezart Hoxhaj, Mauro Lanati, Nadzeya Laurentsyeva, Lars Ludolph, Afaf Rahim, Rainer Thiele, Claas Schneiderheinze, Tobias Stöhr, Alessandra Venturini, and Carolina Zuccotti. The work was carried out under the general direction of Dennis Snower, Daniel Gros, and Andrew Geddes.

In addition to the core team members, Omar Kadkoy and Heliodoro Temprano Arroyo both wrote sections on the economic integration of Syrian refugees in their countries of asylum—from the perspective of Turkey, which hosts more than half of all refugees from Syria, and on how EU trade preferences may support refugee employment in export-oriented industries. Chiara Pizutti and Merlin Ole Pratsch wrote or co-wrote sections and case studies, while Philipp Paetzold did economic modeling work to explore the macroeconomic effects of refugee immigration. Eva Bengert, Reem Hassan, Hannah Sill, Ahmad Wali, and Julian Wingenbach supported the team by taking on diverse research tasks.

The majority of the report's copyediting was undertaken by Kathleen King, with additional copyediting by Anne Harrington. Figures and maps were visualized and rendered by David Benček, and Julia Komorowski from the bdrops communication agency laid out the report. Melanie Radike oversaw the production of the report, and Anna Breling facilitated cooperation among team members across the Kiel Institute for the World Economy (IfW), the Centre for European Policy Studies (CEPS) in Brussels, and the Migration Policy Centre (MPC) at the European University Institute (EUI) in Florence.

The report benefited from data shared by numerous other institutions, as well as helpful comments and insightful discussions with individual migration experts at all stages of the project. These contributions were invaluable in the preparation of this report.

In particular, the team would like to express their sincere gratitude to Stiftung Mercator for initiating the Mercator Dialogue on Asylum and Migration in 2015, and providing continued, active support—not least through project manager Markus Hesse.

About the Authors

Esther Ademmer is an interim professor of Comparative Politics at Kiel University and a researcher at the Kiel Institute for the World Economy. She holds a doctorate in Political Science from the Free University of Berlin and a master's degree in International Relations from the Free University/Humboldt University of Berlin and the University of Potsdam. Her research focuses on issues of European integration and governance, comparative political economy, and institutional change in transition countries.

Mikkel Barslund is a research fellow and head of the Ageing Societies Programme at the Centre for European Policy Studies (CEPS). He holds a doctorate in Economic Modelling and Quantitative Methods from the University of Copenhagen and a master's degree from University College London. He is responsible for a range of projects on the economics of ageing societies, migration, and labor mobility at CEPS. Besides his policy research, he manages the European Network of Economic Policy Research Institutes and is the CEPS editor of *Intereconomics*.

David Benček studied economics at Magdeburg, Konstanz, and Moscow before joining the Kiel Institute for the World Economy as a researcher. He received his doctorate from Kiel University where he wrote his dissertation on the political economy of mobilization. His current research focuses on mobilization dynamics underlying violent incidents against refugees, the impact of migration on host society attitudes, and determinants of migration decisions.

Mattia Di Salvo is a researcher at the Economic Policy Unit of the Centre for European Policy Studies. He obtained his bachelor's degree in Economics and Finance at Bocconi University in Milan and his master's degree in Economics and Business–International Economics at the Erasmus School of Economics in Rotterdam. At CEPS, Mattia works mostly on EU asylum and migration policy. His research interests also include economic development and growth, international trade, and regulation.

Dominik Groll is a researcher at the Kiel Institute's Forecasting Center and the "Macroeconomic Policy under Market Imperfections" research area. He studied International Economics at the University of Erlangen-Nürnberg and the University of Valencia, and holds a doctorate in Quantitative Economics. His research focuses on labor market forecasts in the short and medium run, the macroeconomic effects of refugee immigration, and the effects of monetary unification on macroeconomic stability. In addition, he regularly engages in consulting activ-

ities for the German government on a broad range of macroeconomic topics.

Rezart Hoxhaj is a research fellow at the Migration Policy Centre (MPC). He holds a co-tutorship PhD in the Economics of Migration from the University of Bari Aldo Moro and University of Lille 1. Before joining MPC, he was a lecturer at the University "Ismail Qemali" of Vlore and a fellow at CERGE-EI (Center for Economic Research and Graduate Education—Economics Institute). His current research explores immigrants' expectations, skilled immigration, and integration/assimilation in terms of education at destination.

Omar Kadkoy is a research associate at the Economic Policy Research Foundation of Turkey (TEPAV). A Syrian national, he focuses his research on the labor market integration of Syrian refugees in Turkey, Syrian entrepreneurship in Turkey as well as the Turkish policy framework regarding refugees and the evaluation of subsequent legal adjustments.

Mauro Lanati is a research fellow at the Migration Policy Centre. Having earned a PhD in Economics from the University of Pisa, his areas of interest cover theoretical and empirical aspects of development finance, international trade, and migration. His current research explores the link between foreign aid and migration, especially the effect of foreign aid and other forms of development finance on regular and irregular migration flows. He has participated in several research projects on development finance and migration studies for various international institutions, such as FERDI (Foundation for Studies and Research on International Development) in Clermont-Ferrand and IEMed (European Institute for the Mediterranean) in Barcelona.

Nadzeya Laurentsyeva is a research fellow at the Economic Policy Unit of the Centre for European Policy Studies. She holds a doctorate in Economics from the Ludwig-Maximilians-Universität Munich. In her research, she concentrates on the economic and social integration of immigrants, the decision-making process of migrants, and the interchange between migration and development policies.

Matthias Lücke is a senior researcher and member of the management board at the Kiel Institute for the World Economy, an adjunct professor at Kiel University, and a former senior economist at the International Monetary Fund. He studied economics at Cologne, London (LSE), and Gießen, in which he holds a doctorate. He coordinates the MEDAM project, and focuses on migration, development, international trade policy, and European integration in his research and teaching.

He has consulted widely for national governments and international organizations.

Lars Ludolph is an associate researcher at the Economic Policy Unit of the Centre for European Policy Studies (CEPS), as well as a PhD student at the London School of Economics. At CEPS his research examines EU migration and asylum policies, while his PhD research addresses the effects of migration flows on local economies. Before joining CEPS, he worked as an economist at the Financial Stability and Risk Management Department of the Central Bank of Malta.

Chiara Pizzuti completed her bachelor's degree in International Cooperation and Development at the University of Rome "La Sapienza" and her master's degree in Economics and Development at the University of Florence. After her graduation, she joined the Kiel Institute for the World Economy as a research assistant. Her research interests include the effects of migration and remittances on families left behind.

Merlin Ole Pratsch is a research assistant at the Kiel Institute for the World Economy. He holds a bachelor's degree in Political and Cultural Science from the University of Bremen. Currently, he is completing a master's degree in Sustainability, Society, and the Environment at Kiel University, where he focuses on migration, relocation, climate change adaptation, socio-environmental conflicts, and integrated coastal zone management.

Afaf Rahim is a researcher at the Kiel Institute for the World Economy. She holds a PhD in Economics from Wageningen University and has previously worked as a research coordinator at Tufts University, an assistant professor at Marburg University, and a postdoctoral researcher at Pretoria University. Her main research interests are at the intersection of the environment, poverty, and development. Currently, her research centers on the interaction between the economic and social integration of immigrants.

Claas Schneiderheinze completed a bachelor's degree in Economics at Kiel University and a master's in Development Economics at Göttingen, before joining the Kiel Institute for the World Economy as a researcher and doctoral candidate. Under the research area "Poverty Reduction, Equity, and Development," his main sphere of activity is African migration, more specifically the implications of environmental and demographic change in Africa for internal and intercontinental migration. In addition, he takes part in the T-20 Task Force on Migration advising the G-20 on regional migration governance.

Tobias Stöhr is a senior researcher at the Kiel Institute for the World Economy, a postdoctoral researcher at DIW Berlin (German Institute for Economic Research), and a research affiliate at IZA (Institute of Labor Eco-

nomics). He studied in Mannheim and Nottingham and received his doctorate from Kiel University in 2015. He has published on emigration as well as labor market integration, and currently works on a broad set of topics ranging from migration decision making to host populations' attitudes to immigrants.

Heliodoro Temprano Arroyo is an EU Fellow at the Robert Schuman Centre for Advanced Studies of the European University Institute, where he is working on the external dimension of the EU's migration and refugee policies. He holds degrees in Economics from the Universidad Autónoma de Madrid, the University of Sussex, and the Universidad Alcalá de Henares. He has spent much of his career at the European Commission, where he is currently an adviser at the Directorate-General for Economic and Financial Affairs. He has published in the fields of international macroeconomics, public finance, monetary integration, and transition economics.

Rainer Thiele is head of the research area "Poverty Reduction, Equity, and Development", a member of the Kiel Institute's management board, and an adjunct professor at Kiel University. He earned both his master's degree and his doctorate in Economics from Kiel University. His current research focus is on the impact of large-scale land acquisitions in Sub-Saharan Africa on rural communities and on the allocation and effectiveness of foreign aid. He has published his research results in internationally recognized peer-reviewed journals, such as the *Journal of Development Economics*, *World Bank Economic Review*, and *World Development*.

Alessandra Venturini is a part-time professor at the Migration Policy Centre and a professor of Political Economy at the University of Turin. She holds a PhD in Economics from the European University Institute, and has held senior academic positions at various universities. Her research work has led her to conduct joint projects with organizations ranging from the International Labour Organization, the OECD, and the World Bank, to the European Commission and the Centre for Economic Policy Research. Her research interests include the role of migrants in the labor market, their impact on innovation, their economic and cultural assimilation, and the brain drain, as well as the remittances impact on migrant-sending countries.

Carolina Viviana Zuccotti joined the Migration Policy Centre as a research fellow in 2017. She holds a PhD in Political and Social Sciences from the European University Institute, and has participated in several research projects at various institutions in Argentina and Europe. Her research currently focuses on the social and spatial integration of migrants and their children in destination societies, as well as on the role of ethnic concentration in different objective and subjective outcomes.

Introduction and main messages

The Mercator Dialogue on Asylum and Migration (MEDAM) was established in 2016 to pursue two objectives: to conduct research to improve our understanding of the interrelated challenges facing the EU and its member states in the areas of asylum, migration, and mobility; and to engage European policy makers and civil society in a broad and open debate about comprehensive, implementable solutions to these challenges. We concentrate on two broad issues: First, what (alternative) policy measures would result in the EU ‘pulling its weight’ in contributing to the protection of refugees worldwide—by both protecting refugees in Europe and supporting low- and middle-income countries elsewhere that host many refugees? Second, how can we harness labor migration to EU member states for the benefit of migrants, host societies, and those who remain in their countries of origin, with a focus on immigration from third countries by low- and medium-skilled workers?

We adopt a ‘whole systems’ approach to analyzing migration to Europe and the effects of policy interventions. In this view, the European ‘migration system’ comprises the sum of socioeconomic conditions and migration-related policies in countries of origin, transit, and destination. Together, these factors determine the incentives for which potential migrants decide whether to move from Africa or the Middle East to Europe.

This approach ensures analytical rigor in how we assess the effects of policy interventions on the incentives of potential migrants and, ultimately, on migration behavior. Inevitably, though, when we put forward policy conclusions for discussion with policy stakeholders, these are based in part on normative judgments. For example, we may explore a policy option that we consider politically feasible and an improvement over the status quo, whereas some observers may feel that neither the status quo nor our suggested alternative is morally defensible and a more radical approach is required (which we might consider politically infeasible and might therefore not explore). Similarly, when critical empirical evidence is incomplete (as is most often the case), any policy conclusions depend on how one interprets the evidence and, thus, on normative judgments. While MEDAM team members share the whole systems approach to analyzing migration, not every team member may agree with all policy conclusions in all sections of the report. We view our conclusions as contributions to the ongoing European debate on policies for refugee protection and immigration, rather than as blueprints for immediate legislative action.

This 2018 MEDAM Assessment Report on Asylum and Migration Policies in Europe is the second in an annual series. EU policy makers continue to face multiple, interlinked challenges in the areas of refugee protection and immigration. These challenges may appear less urgent today than in 2015 or 2016 because fewer irregular immigrants are now arriving in the EU. But each of the main measures that are associated with reducing the number of irregular immigrants—the EU-Turkey agreement, the closure of the Western Balkans migration route, and cooperation with the Libyan coast guard and other problematic actors in Libya—has important shortcomings that call into question their long-term sustainability in their current form.

In this report, we analyze how these policy interventions may be further developed and which complementary measures are needed to create an effective framework of policies to protect refugees, respect the human rights of migrants, and reduce irregular immigration to the EU. We focus on the most salient issues bearing on the effectiveness and future direction of policies for refugee protection and migration at the EU level, and by extension, in EU member states.

We begin by assessing immediate challenges to EU policies (chapter 1; messages 1, 2, and 3 below). We apply the notion of ‘flexible solidarity’ to provide guidance on how EU member states may effectively share responsibility for interconnected policies in different areas. We discuss possible responses to the challenges posed by irregular migration across the Mediterranean and explore ways in which EU member states can create more opportunities for legal labor migration from Africa to the EU.

The large inflow of refugees into the EU in 2015 and 2016 has not only led to expressions of solidarity and support for refugees by some governments and parts of civil society, but also to a more divisive public debate on immigration policy and the growth of openly xenophobic political parties in many EU member states. While there are demonstrable economic benefits of well-managed immigration for the country of destination, it is the views of voters that ultimately drive the stance of immigration policy. Therefore, we assess several interrelated factors that impact on popular attitudes toward immigration and immigrants (chapter 2; messages 4, 5, and 6): How does the way we conceptualize economic and social integration affect our views on cultural diversity and, hence, immigrants? How does social media commentary affect attitudes toward immigration? How does the spatial concentration of many immigrants affect prospects for economic integration (which may be supported by ethnic networks)

vs. social integration (which depends on positive contact with the native-born population)?

Most policy makers in the EU now subscribe to the view that irregular immigration into the EU can only be reduced in a sustainable manner through close cooperation with countries of origin and transit. We assess important links between conditions in countries of origin and EU policies and explore areas of cooperation (chapter 3; messages 7, 8, 9, and 10): How well informed are irregular migrants about the risks that they take when they travel to Europe and about the economic challenges that they face upon arrival? How will continuing population growth in Africa affect migration intentions—for migration both within Africa and to Europe? How can the EU support the economic and social integration of refugees in low- and middle-income host countries, thereby reducing incentives for secondary migration?

The following main messages summarize our systemic approach to refugee protection and immigration in the EU. An effective response to the current challenges from irregular migration across the Mediterranean requires simultaneous actions in a wide range of policy areas, ranging from asylum procedures and return policies in the EU member states of first arrival to comprehensive agreements with countries of origin and transit and more opportunities for legal migration from Africa to the EU. Crucially, given the wide range of tasks, an effective response will require flexible sol-

idity among EU member states: each member state must pull its own weight in contributing to the common policies, but individual member states may contribute to particular policies to a different extent and in different ways. Several factors will make it more likely that member states subscribe not only to the notion of flexibility, but also to that of solidarity: joint monitoring of member states' efforts; substantial financing from the EU budget; and above all, a shared understanding that failure to respond effectively would cause long-term damage not just to European integration (starting with the collapse of the Schengen system), but to individual member states as well.

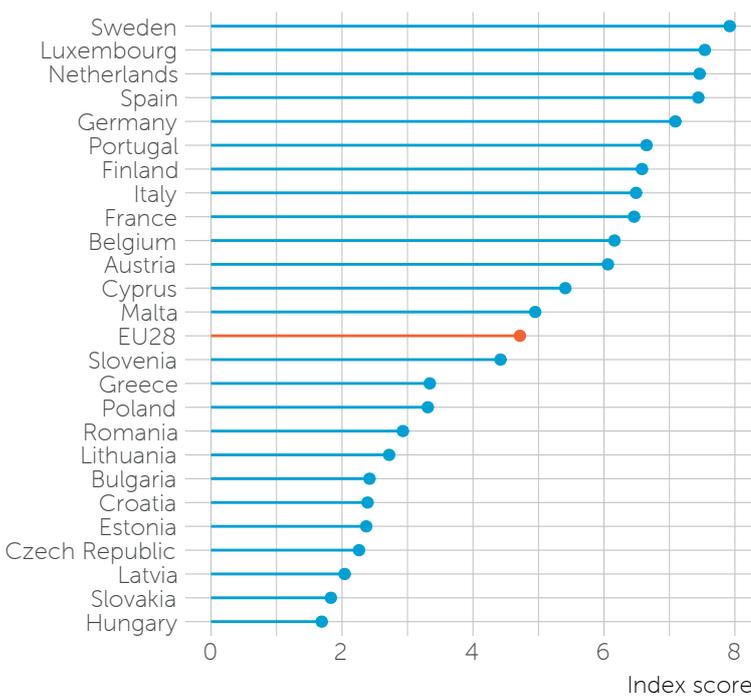
Message 1: Flexible solidarity, rather than a 'one-size-fits-all' stance, is key to making progress on EU policies for refugee protection and immigration.

Europeans differ widely in their opinions and attitudes toward immigration, as reflected in the stark differences found in policy positions across EU member states (figure I-1). The past three years have seen this reality catch up with policy making at the EU level, resulting in a stymied policy response to the new challenges in refugee protection and immigration (section 1.1). The main legislative proposal, the reform of the Dublin Regulation, which notably involves a mandatory relocation system for asylum seekers, has become a hallmark of divisiveness among EU member states. If the EU were to push ahead now with a mandatory relocation scheme, this would hardly improve its response to immigration-related challenges on the ground, quite apart from the inevitable political fallout. Specifically, a new relocation scheme would have little effect on the Mediterranean because very few asylum seekers stand a chance of being recognized as refugees in that region. Furthermore, relocating asylum seekers to EU member states with a limited capacity for integration (and no political commitment) would be detrimental to the interests of asylum seekers and would probably trigger even more secondary movements.

This analysis does not imply a lesser role for EU institutions. On the contrary, the EU has a key role to play when it comes to managing external borders, harmonizing asylum systems, assisting member states in managing asylum applications, and providing financial support to third countries of first asylum and institutions underpinning the global governance of migration.

However, escaping the current impasse requires a shared, common understanding among EU member states of the challenges to be addressed and how each member state can contribute. The current proposal for a mandatory relocation of asylum seekers will not move the EU in this direction. Rather, we argue that the notion of flexible solidarity, which allows each member state to choose how to contribute but also recognizes that member state contributions together must consti-

Figure I-1 Migration acceptance index scores, 2016



Source: Gallup World Poll 2016.

Note: The Migrant Acceptance Index is based on interviews with approximately 1,000 adults per country asking three questions on whether people think immigrants living in their country, becoming their neighbor, and marrying into their families are good things or bad things. The higher the score, the more accepting the population is of migrants. The maximum possible score on the index is 9.

tute an adequate response to the challenges faced by the EU, can foster such a common understanding.

Flexible solidarity would entail a centralization of tasks related to asylum and migration at the EU level and a concomitant shift of government revenue from member states to the EU budget. In the medium term, this shift must be reflected in the next EU budget cycle (2021–27), with central funding of an expanded European Border Coast Guard, reimbursement of (part of) the cost of managing asylum systems, the hosting of asylum seekers and refugees resettled under the new proposed EU scheme, and support for third countries and international organizations. In the short term, flexible solidarity calls upon member states less affected by migrant inflows to finance a relatively larger share of upcoming commitments related to the EU-Turkey agreement and the EU Emergency Trust Fund for Africa.

When it comes to the relocation, within the EU, of recognized refugees from member states of first arrival or of asylum seekers from countries overburdened in times of crisis, we argue that an effective response can be organized by a ‘coalition of the willing,’ with member states participating in voluntary relocations supported by the EU budget.

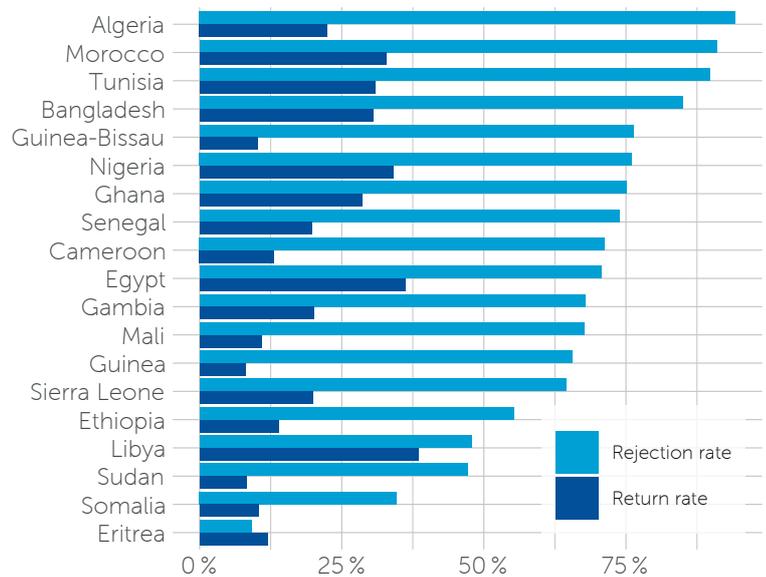
Message 2: Agreements with third countries to manage migration flows need to be made more resilient.

Multilateral cooperation and bilateral agreements among countries and regions are crucial factors in sustainably managing migration. In addition to the EU-Turkey agreement, the EU now supports African transit countries along the Central Mediterranean migration route and is pursuing bilateral agreements with African countries of origin under the Migration Partnership Framework to facilitate the return of irregular migrants (section 1.2).

In 2018, the second €3 billion tranche of payments under the EU-Turkey agreement to support refugees in Turkey becomes due. The bulk of these funds constitutes humanitarian assistance to refugees, disbursed via nongovernmental organizations. In recent years, such assistance has significantly improved the living conditions of asylum seekers and refugees in Turkey. Committing the second tranche of financing under the EU-Turkey agreement provides an opportunity to strengthen important elements of the agreement, including the return of irregular migrants to Turkey and the monitoring of their treatment, in cooperation with the United Nations High Commissioner for Refugees (UNHCR).

Assistance to Libya, from both Italy and the EU, needs a humanitarian upgrade. Further support to the Libyan coast guard should be made conditional on staff of the International Organization for Migration (IOM) and UNHCR gaining full access to reception centers and to individuals intercepted by the coast guard in

Figure I-2 Rejection and total return rates by nationality, 2014–16



Source: Own elaboration based on data from Eurostat and Frontex, summed 2014–26 data.
 Note: Rejection rate = the share of rejected asylum applications in 2014–16; return rate = the share of the returned among the total number ordered to leave in 2014–16.

order to assist migrants who wish to leave Libya. If necessary, additional funding should be committed to the IOM Voluntary Humanitarian Return program in partnership with the Africa Union and Libyan government. This program has proved effective in reducing the number of migrants in detention centers.

Continued support to Turkey and Libya is in the interest of all stakeholders; hence, it should be possible to find common ground.

In addition, the EU needs to work more closely with African countries of origin of irregular migrants to ensure that those asylum seekers who are not eligible for international protection are readmitted by their countries. Low return rates (figure I-2) reinforce the incentives for irregular migration across the Mediterranean. Reaching effective agreements on return has proven difficult under the Migration Partnership Framework because the instruments available are inadequate. We argue that EU countries should engage more actively with African countries and offer their citizens pathways to legal employment in Europe, conditional on countries of origin readmitting rejected asylum seekers who have recently arrived in Europe. Such agreements could become self-enforcing in the sense that once in place, few irregular migrants would attempt to enter the EU, while at the same time legal migration opportunities and remittances would help to build up a constituency in the countries of origin for the consistent implementation of the agreements (including readmission).

Critics have argued that cooperation with third countries that may not be stable democracies and may not always respect the human rights of migrants or of their

own citizens makes the EU beholden to the interests of those countries. This argument misses two important points, however. First, wherever the Mediterranean Sea is the EU's external border, the EU can only secure its border and prevent irregular immigration if it cooperates with neighboring countries in Africa and the Middle East—to both prevent people smuggling through effective policing and ensure speedy readmission of third-country citizens by their countries of origin. The only alternative to such cooperation would be for the EU to give up on curbing irregular immigration altogether and to allow people smugglers to determine who may live in the EU and who may not.

Second, refugee protection is a global task for which responsibility needs to be shared by the international community. While most refugees live in low- and middle-income countries (because this is where most refugee situations arise), financial support for the hosting of refugees (for example, to Turkey) helps to share the economic burden of hosting refugees more fairly. In fact, hosting refugees with sufficient international financial support typically benefits residents, providing some compensation for logistical and administrative efforts on the part of host countries and for possible competition between refugees and residents over scarce local resources. Donors should (and do) make financial support conditional on host countries following good practices in the hosting of refugees and their economic and social integration. It is true that a large proportion of the world's population (including, but not limited to refugees) live in countries that are not stable democracies and do not always respect human rights. The EU has an important role to play in promoting economic growth, social development, democracy, and the rule of law not only in Europe, but also elsewhere. Still, failing to engage with host countries and thereby condoning (or even provoking) large secondary movements of refugees undermines, rather than furthers, these objectives.

Message 3: More legal employment opportunities for African citizens need to be part of a broader strategy to contain irregular immigration to the EU.

While irregular migration from Africa to Europe has increased sharply over the last 10 years, legal migration opportunities for African citizens to legally migrate to the EU for purposes of work have almost disappeared (figure I-3). In 2010, approximately 130,000 first-time EU visas for employment were issued to African citizens; in 2016, this number had dwindled to just over 30,000 (section 1.3). With very few legal opportunities to migrate to the EU, many would-be migrants are left with the option of traveling to the EU irregularly and applying for asylum—however baseless (and unpromising) their asylum applications might be.

Reversing this trend and creating legal opportunities

for labor migration from Africa to the EU is warranted not only because most EU societies are aging and would benefit from well-managed immigration. Legal migration opportunities will also be an important *quid pro quo*, as the EU negotiates wide-ranging partnerships with governments in Africa that will crucially require African authorities to curb irregular migration by their citizens. Governments that cooperate in this way run the risk of becoming deeply unpopular with many of their citizens—migrants, potential migrants, and current and potential recipients of remittances. One way to gain acceptance for restrictive measures will be to frame them as a precondition for the EU to establish wide-ranging opportunities for vocational training in Africa and for labor migration to Europe.

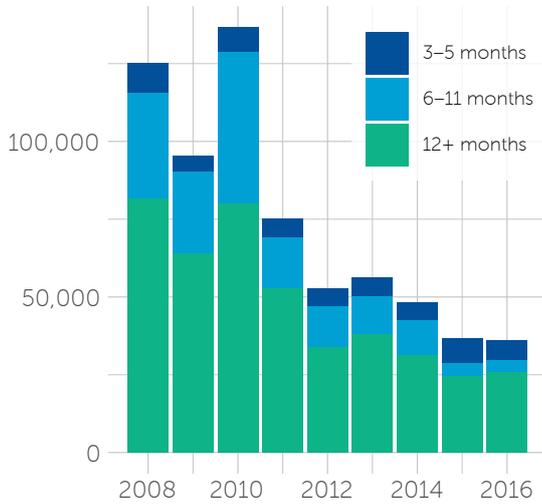
In the EU, it is a competence of the individual member state to decide how much access to its labor market it grants to third-country citizens. Therefore, participation in an EU offer of legal labor migration from Africa would be voluntary for EU member states. Even so, to be politically effective, an EU offer must be substantial in terms of the number of labor migrants admitted and countries of origin covered. The European Commission would have an important role to play in coordinating and consolidating EU member states' individual offers, as well as negotiating with African countries of origin and transit. Furthermore, the EU may facilitate member state participation by covering program costs such as administration, migrant selection, language and vocational training, and labor market integration in the destination country.

EU member states will want to ensure that immigrants from Africa have the right skills to earn an adequate income and support themselves and their families, rather than relying on social transfers. At the same time, if the EU offer is to be politically effective, it cannot be limited to only high-skilled (university-educated) workers for whom there are already few restrictions on entering the EU. Rather, it will be crucial to reach out to potential migrants with a wide range of educational backgrounds and to provide them with the necessary language and vocational skills to fill jobs for which there is sustained labor demand in EU member states.

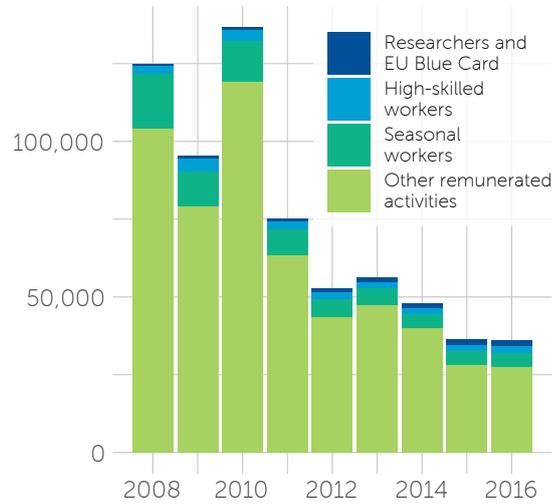
Current labor market regulations in EU member states already include many tools for the targeted admission of labor migrants, including circular migration programs for seasonal workers, whitelists of occupations in high demand, regionally focused labor market tests to ensure that privileged workers (such as EU citizens) do not face excessive competition, and entry into EU member states for vocational training. Many of these existing instruments at the member state level will need to be used more extensively and liberally in order to create sufficient legal migration opportunities so that the incentives for potential migrants and their governments shift away from engaging in, or condoning, irregular migration.

Figure I-3 First-time permits for employment reasons issued to African citizens by the EU-28

a. Breakdown by length of validity



b. Breakdown by type of occupation



Source: Own elaboration based on Eurostat data.

Note: Figures on seasonal permits are available only for those countries that have already transposed the Seasonal Workers Directive in their national legislation. Otherwise, figures on seasonal permits are included in the category 'other remunerative activities.'

Message 4: Although Germany received more refugees relative to its population than most other EU member states during 2015–17, this inflow will have only a small impact on residents' incomes.

The inflow of asylum seekers in Germany in 2015–17 was large by historical standards, raising some concerns about its economic impact on residents (and possible consequences for residents' attitudes toward immigration and immigrants). Yet our numerical simulations based on a macroeconomic general equilibrium model suggest that the income effects will be modest. Depending on which transmission channels are taken into account and which skill groups in the labor market are considered, the change in residents' net income ranges from -1.6 percent to +0.3 percent in the long run, where net income depends on the wage, the tax rate, the unemployment rate, unemployment benefits, publicly provided goods, and capital income (section 2.4). This result is consistent not only with macroeconomic studies of immigration episodes in other countries, but also with the few available macroeconomic studies of the recent refugee inflow in Germany.

The income effects on residents are modest for two reasons. On the one hand, contrary to prevailing perceptions, the size of the immigration shock to the labor market is not very large to begin with: overall, the total workforce in Germany increases by approximately 1.4 percent due to the refugee inflow. Even at the regional level, the immigration shock is not very large: in the most-affected district (Salzgitter), there were 20 job-seeking refugees per 1,000 residents as of

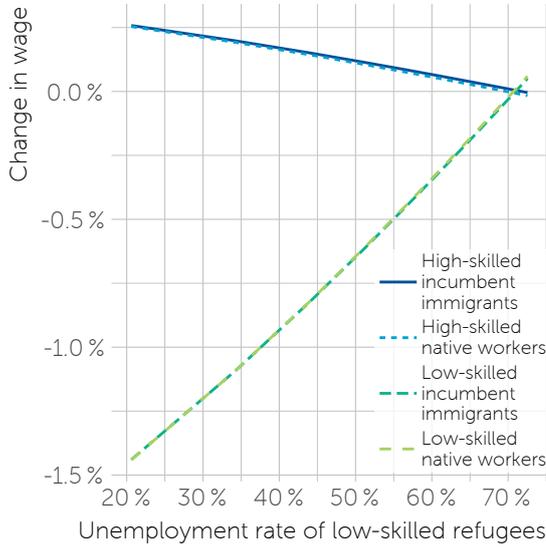
February 2018. On the other hand, an immigration shock triggers a variety of effects that work in opposite directions and therefore offset each other. For example, while immigration increases the number of workers, which can depress the wages of some residents, it also increases the number of consumers and thereby, indirectly, the demand for workers, which tends to raise residents' wages. In addition, firms adjust their capital stock to the higher number of workers, which tends to raise the capital income of residents. For a complete picture, it is therefore critical to take into account both the macroeconomic feedback effects and the various dimensions along which residents are affected by immigration.

Low-skilled residents are somewhat more negatively affected than high-skilled residents, since the refugees who immigrated to Germany between 2015 and 2017 were predominantly low-skilled. This result, however, depends on the simplifying assumption that the skills of both residents and refugees remain unchanged in the long run. This is unlikely to be the case, especially given the effort that is currently underway to increase the refugees' language skills and professional education.

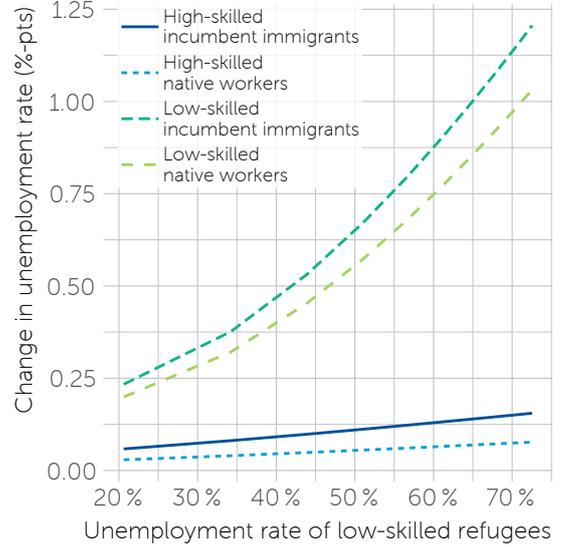
The better the refugees are integrated into the labor market (i.e., the lower their unemployment rate), the more favorable will be the macroeconomic effects of the refugee inflow for residents (figure I-4). This even holds for low-skilled residents, for whom the benefits in terms of unemployment, taxes, and capital income more than offset the additional loss in wages due to increased competition with low-skilled refugees.

Figure I-4 Macroeconomic effects and labor market integration of refugees

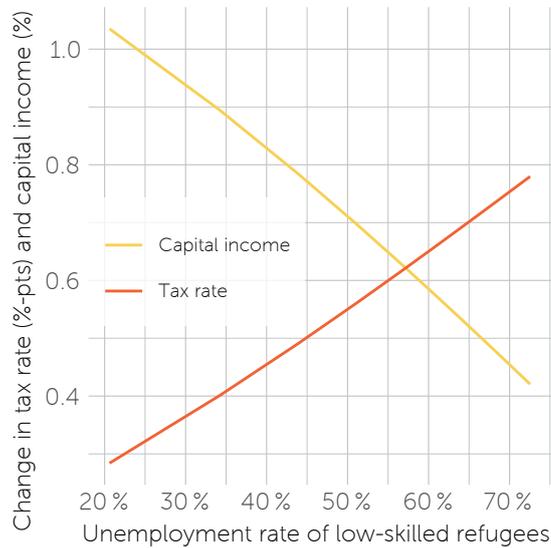
a. Change in wage (in percent)



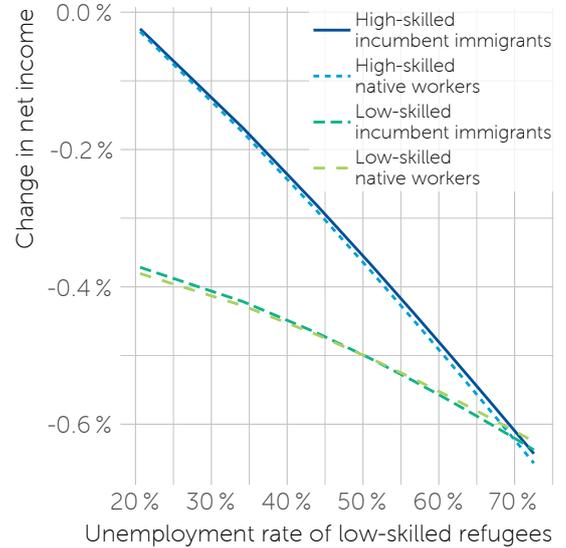
b. Change in unemployment rate (in percentage points)



c. Change in tax rate and capital income (in percentage points and percent, respectively)



d. Change in net income (in percent)



Source: Own simulations based on a slightly modified version of the model by Battisti et al. (2017).

Note: Results are based on the model version without the employment-cost channel (see table 2.1, panel d). Incumbent immigrants refer to immigrants (excluding refugees) who were already residing in Germany prior to the refugee inflow.

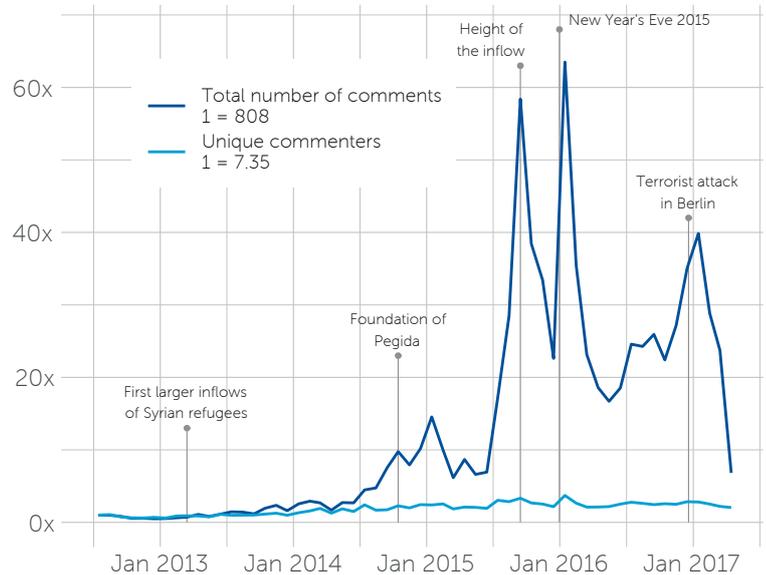
Message 5: Political actors should avoid stereotyping perpetrators of security incidents and actively oppose hate speech in traditional and social media.

Why do people in some countries react to terrorist events perpetrated by migrants by adopting more skeptical attitudes toward migration and immigrants, while in others they do not? Why are such trends sometimes more pronounced in countries that have never experienced such traumatizing events within their own borders, as opposed to those that have been directly affected? Immigrants are no more likely to commit crimes than are other individuals once we control for socioeconomic characteristics. Furthermore, public attitudes toward immigrants are key determinants of their prospects for integration. Therefore, it is important to understand the dynamics that contribute to anti-immigration sentiment following security-related incidents.

In chapter 3 of our 2017 Assessment Report (MEDAM 2017), we argued that the likelihood that such events will engender anti-immigrant attitudes depends on peoples’ individual characteristics, previous attitudes, and a variety of contextual factors. Importantly, it also depends on cues provided by the online and offline media and politicians, which contribute to people’s interpretation of such events. Jointly, these dynamics can increase or decrease the likelihood that individuals allow the criminal activity of particular migrants to determine their attitudes toward an entire group of people (section 2.2). When media report on migration issues in an overwhelmingly negative way, for instance, they may foster negative stereotypes of immigrants or ethnic minorities, skew attitudes toward immigrants negatively, and create demand for a more restrictive immigration policy. In the immediate aftermath of a terrorist attack, offline media frequently report in an alarmist mode, and only later place the incident in its wider context. Social media dynamics may skip this later stage, privileging online comment in an alarmist mode immediately after such events (see figure I-5). Alarmist-style reporting, however, may increase people’s threat perceptions, as it often relies on superficial patterns or assumed correlations between different factors that are not necessarily causally linked.

What policy recommendations do we draw from this observation? An attempt to counter the feeling of insecurity after terrorist attacks by fostering anti-immigration sentiment is likely to breed demand for more restrictions on immigration. Apart from its ethical problems, such a policy response is also unlikely to be effective. Security-related incidents are often committed by home-grown perpetrators. When political rhetoric feeds resentment against immigrants, this is likely to lead to a negative spiral of lower social cohesion and worse integration outcomes. A better strategy is to improve integration outcomes and make sure

Figure I-5 Number of unique Facebook commenters under articles on migration and asylum posted by German regional newspapers on Facebook



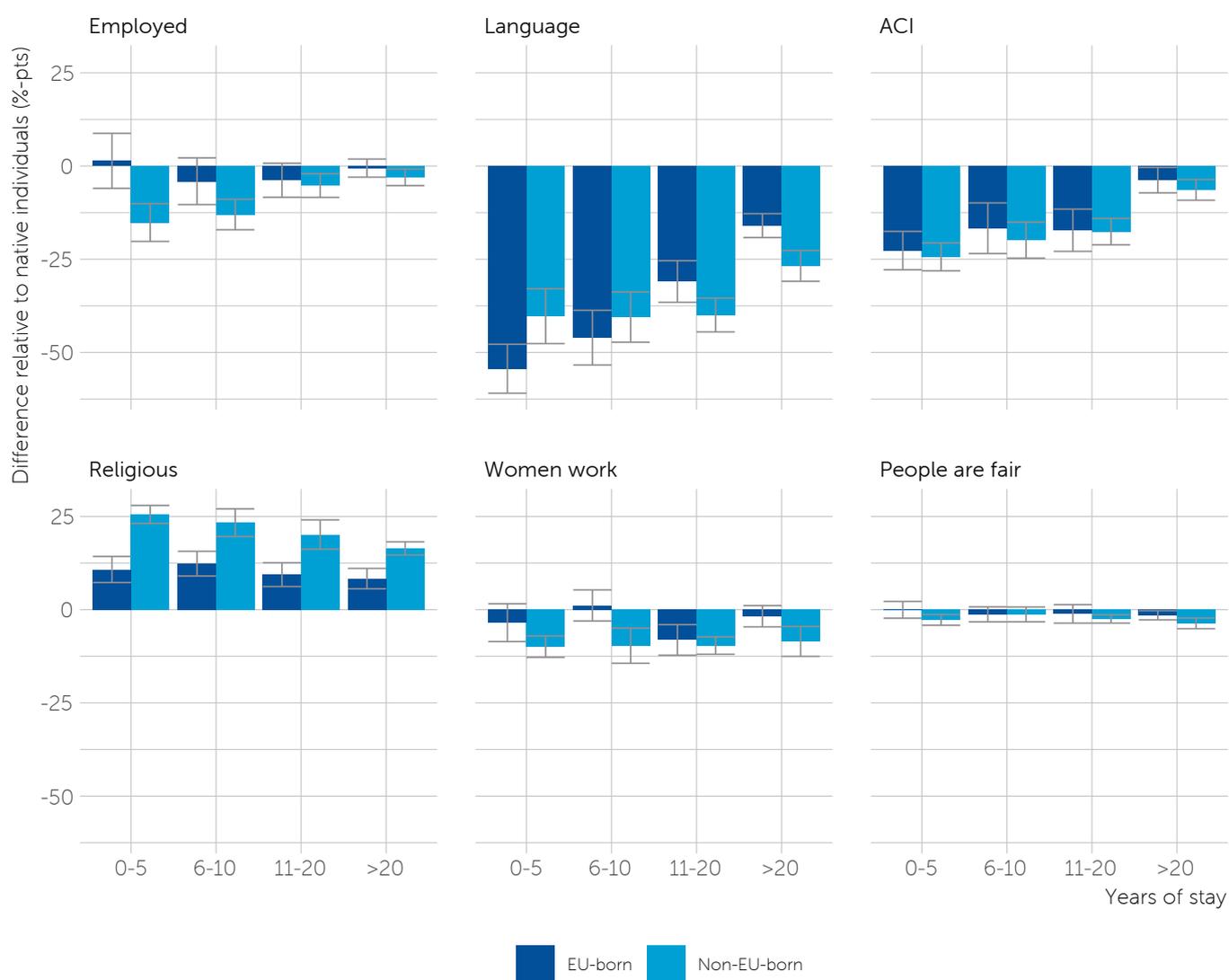
Sources: Facebook; Ademmer, Gold and Stöhr 2018.

immigrant communities are ‘on board.’ Politicians should counter simplistic and exclusionary narratives with inclusive value-based counter-narratives. The media should commit to lowering the alarm mode in reporting. Policy makers and experts should work on effective policies that reduce the spread of fake information and hate speech in online social networks, which pose formidable threats to social cohesion.

Message 6: Policy makers should address structural barriers to the economic and social integration of immigrants and refrain from engaging in rhetorical debates.

Local residents’ attitudes toward immigration and immigrants are influenced by a perceived lack of social integration on the part of some immigrants, particularly those whose native cultures and belief systems are quite distinct from those of the host country. While social integration has many dimensions (section 2.1), there is a concern that a significant number of immigrants may bring with them norms and beliefs that deviate from what is generally accepted by local residents; that immigrants may remain attached to their countries of origin and not identify fully with the host society; and that they may invest too little effort in acquiring skills that are in demand in their host economy and not actively engage in communal and social life. In addition, some immigrants are spatially concentrated in particular locations (‘ghettos’), which may further hinder their social integration (section 2.3). In sum, there is a concern that a lack of contact with outside communities combined with a high level of diversity in a society may result in a lower level of generalized trust and a lack of cooperation and solidarity.

Figure I-6 Convergence in economic and social outcomes among first-generation immigrants in the EU-15 over years of stay in the destination country (EU vs. non-EU origin)



Source: Own calculations based on the European Social Survey, waves 2002–16.

The experiences of millions of immigrants in the EU are inevitably diverse, and the popular notion that immigrants fail to integrate on a large scale is not borne out by the available data (figure I-6). The longer first-generation immigrants reside in the country of destination, the less they diverge from the native-born population with similar observable characteristics. Immigrants by and large catch up with the native-born in terms of employment rates and active citizenship. Nevertheless, differences remain in language proficiency, religious identification, and attitudes toward gender roles—even after 20 years of stay in the destination country.

While assimilation has been touted by some observers as a panacea for all integration challenges, it would oblige many immigrants—if taken literally—to suppress fundamental aspects of their identity, such as

their religious beliefs. A policy of enforced assimilation would not only violate individuals' human rights (such as freedom of religion), but it could also backfire and lead individuals to develop an antipathy toward their host country.

Rather than engaging in rhetorical debates (including on 'assimilation vs. multiculturalism'), policy makers may usefully seek to facilitate integration by first targeting down-to-earth objectives. Immigrants still face direct barriers in access to work, housing, education, and civil institutions. Relaxing legal restrictions and improving the information available to immigrants about opportunities in destination countries is a more tangible and effective policy measure than extensive administrative interference or attempts to modify immigrants' cultural attitudes and behavior or to make the native population more receptive to cultural diversity.

A similar reasoning applies to the spatial concentration of immigrants (section 2.3), which becomes a barrier to social integration particularly when the immigrants' native language is linguistically distant from the destination country's language. Rather than restricting people's freedom of movement, helpful policy interventions may focus on promoting language and vocational training, skills assessment for recently arrived immigrants, and access to the labor market beyond the immediate migrant network.

Setting realistic and measurable integration targets (e.g., host-country language proficiency, labor market participation, and active citizenship) can help to monitor the integration process and to carefully target interventions to facilitate social inclusion.

Message 7: Most irregular migrants generally understand the risks of traveling irregularly but overestimate their prospective earnings in the destination country.

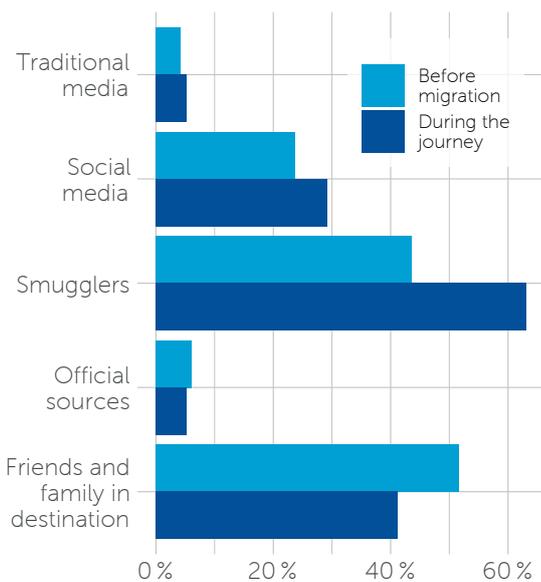
Individuals use the information available to them to form expectations about the costs and benefits of migration and to decide whether, where, and how to migrate. Inaccurate information or biases in information processing can lead individuals to set off unwittingly on a risky journey or to underestimate the rigorous criteria applied by host-country authorities in the processing of asylum applications. Therefore, if authorities can provide accurate information to potential irregu-

lar migrants in a way that accounts for their biases in information processing, this may help to reduce irregular migration.

Do irregular migrants have accurate information about the costs and benefits of irregular migration? The most frequent sources of information for irregular migrants are friends and family members who have already relocated to the destination country and smugglers (figure I-7). While both groups may have their reasons for misrepresenting the costs and benefits of irregular migration, there is evidence (section 3.1) that irregular migrants from Africa to Europe are often well informed about the risks that they are taking during the journey but are over-optimistic about their employment and earnings prospects once they have arrived. Moreover, according to IOM data (figure I-8), irregular migrants from mostly Western African countries appear to vastly overestimate their chances of obtaining refugee protection in Europe: the share of migrants who choose their destination country mainly for its favorable asylum policy was hardly related at all to the actual acceptance rate of asylum seekers from their country of origin.

What is the scope for policy interventions, such as information campaigns, to reduce irregular migration? Since migration decisions are subject to high levels of risk, uncertainty, and social pressure, migrants are vulnerable to various cognitive biases. Even when potential migrants possess factually correct information,

Figure I-7 Main sources of information before departure and during the migration journey

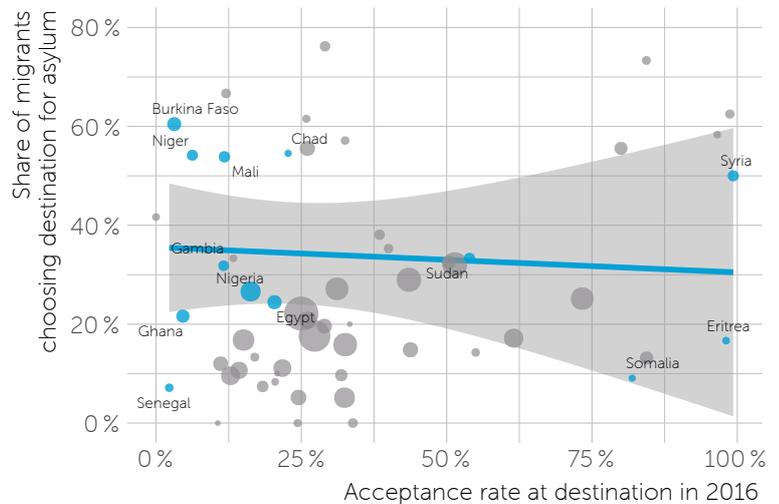


Source: Own configuration based on data from the Mixed Migration Monitoring Mechanism Initiative (4Mi) of the Danish Refugee Council's Mixed Migration Centre (collected from June 2017 to March 2018).

Note: Traditional media include TV, radio, and newspapers. Official sources include leaflets, sign boards, the UN, nongovernmental organizations, specialized websites, and authorities.

Figure I-8 Share of migrants choosing their destination because of asylum possibilities vs. actual acceptance rates of asylum applications

Highlighted destination—Germany



Source: Own calculations based on data from the IOM's Displacement Tracking Matrix in Libya (2017).

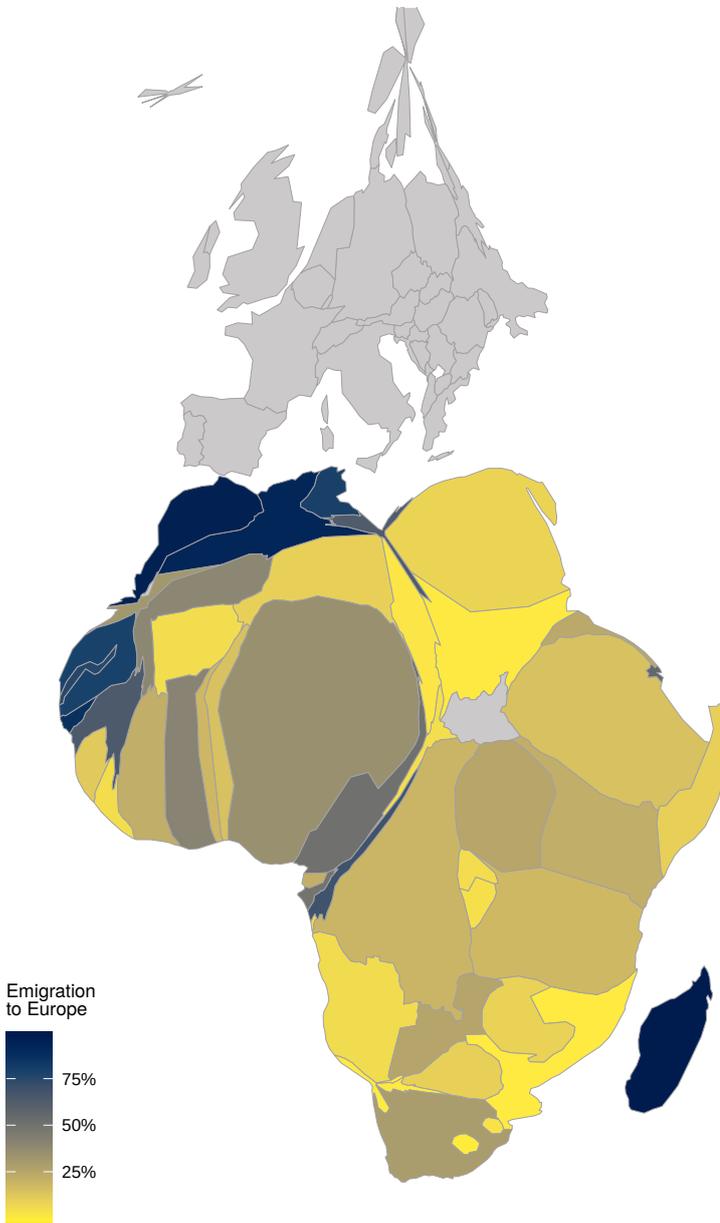
Note: Based on 3,715 observations. The x-axis presents the percentage of positive asylum decisions in a given EU destination for asylum seekers from a given origin country. The y-axis presents the share of migrants from a given origin choosing a given destination in the EU because of a good asylum prospect. Each share is calculated for at least 10 observations grouped by origin and reported destination. The scatter circles are proportional to the number of migrants from a given origin choosing a given destination.

they may overestimate the benefits and underestimate the risks, use inappropriate calculations to simplify their decision making or discount private information in order to follow their peers.

Many past information campaigns have disseminated factual information about the risks of irregular migration and the difficulties of living illegally in the country of destination. It is perhaps not surprising that they have been largely ineffective in influencing migration behavior. First, most migrants appear to understand the risks involved in irregular travel. Second, as indicated

in figure I-7, potential migrants receive information about the country of destination mainly from friends and relatives already there. Therefore, any contradictory statement from destination-country authorities may be perceived as propaganda intended to discourage migrants, rather than truthful information to help them make good decisions for themselves. To improve the effectiveness of information campaigns, it is important to choose credible dissemination channels, provide balanced information on both the costs and benefits of migration, and account for psycho-social and contextual factors on the part of the individuals targeted.

Map I-1 Population growth and emigration to Europe
(Land area corresponds to the projected population size in 2050; emigration to Europe as a percentage of total emigration, 2000–13)



Source: Own calculations based on United Nations, Department of Economic and Social Affairs, Population Division and the World Bank's Bilateral Migration Database.

Message 8: An increase in labor migration is a natural response to population growth and diverging economic trends in Africa. Most such migration will continue to be within Africa.

Africa's population is projected to double by 2050 and may quadruple by the year 2100. While some observers fear that this may lead to unsustainably large migrant movements to Europe, this view is too simplistic. There is a complex interplay between demographic change, economic growth, and individual decisions regarding whether, and where, to migrate (see section 3.2).

A key driver of migration is each country's institutional capacity to accommodate a growing population socially and economically. As demographic and economic trends differ widely across African countries, there are significant incentives for migration within Africa.

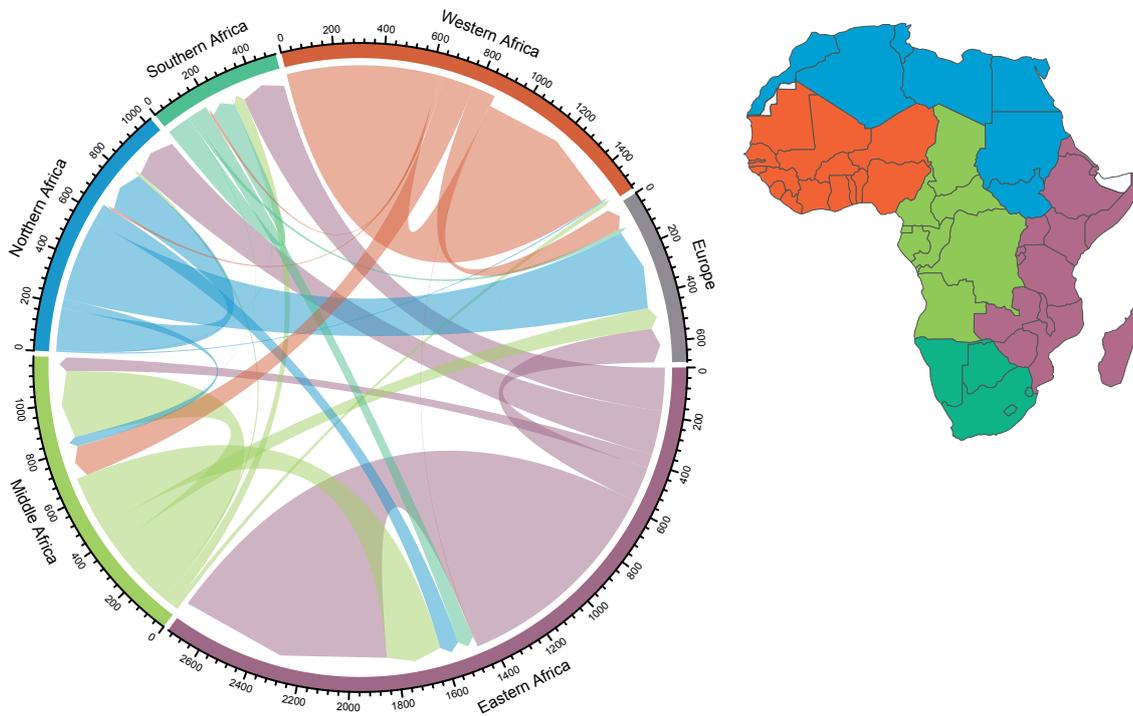
Furthermore, migrant networks are a reliable predictor of future migrant flows all over the world. Where future migrants go is largely determined by their trail-blazing relatives in the past.

Most current emigrants from an African country move to other countries in the same broad region within Africa (Western, Eastern, or Central Africa—see figure I-9). Southern Africa stands out, as it received close to 200,000 migrants from Eastern Africa in 2013. Northern Africa alone accounted for 1 in 2 of the approximately 600,000 immigrants to Europe from Africa in 2013. Approximately half of African migrants to Europe actually went for family reunification.

Most population growth in Africa will take place in countries that currently experience little emigration to Europe (map I-1). The main exception is Northern Africa—thus there is a continuing need to manage migrant flows in the EU's southern neighborhood for the benefit of all involved (while also addressing the growing role of Northern Africa as a transit region for Western African migrants).

While migrant flows within Africa are already large and will increase further, they are often informal. Better governance of regional flows, liberalization in the context of regional integration, and the regularization of current migrants are important steps toward reaping the full benefits of regional migration.

Figure I-9 Migration flows within Africa and to Europe, 2013
(in 1,000)



Source: Own calculations based on United Nations, Department of Economic and Social Affairs, Population Division (2017).

Message 9: Since 2000, development assistance has been re-oriented toward countries that host refugees and internally displaced persons, but we need to remain realistic about the role that aid can actually play in reducing migration.

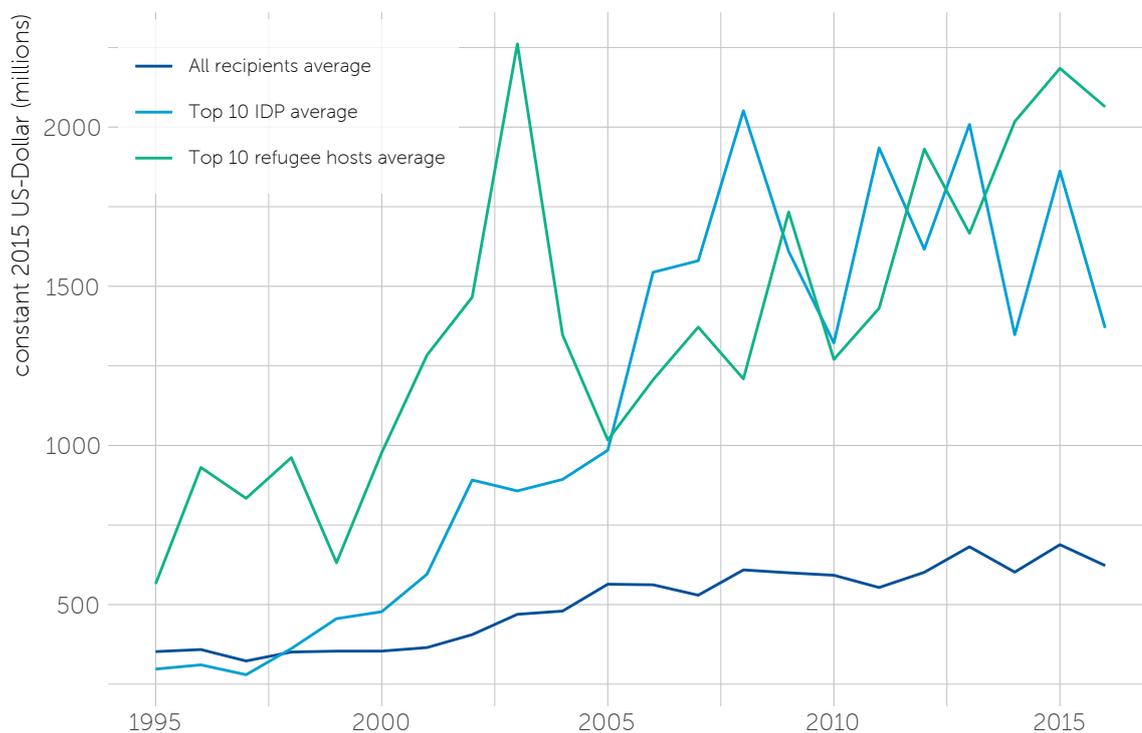
At least since 2015, when the EU experienced large migrant movements to its shores, nearly all pledges of foreign aid have been accompanied by reminders that development assistance to poor countries gives their people an incentive to stay home. Aid is thus regarded as an essential component of a long-term strategy to address the root causes of migration through the creation of job opportunities, quality education, and better public services.

Previous research covering the 1990s and early 2000s, however, has shown that the predominant donor response to refugee movements was to provide additional humanitarian assistance. The idea that humanitarian assistance must be combined with the creation of development opportunities which would ultimately reduce the incentives for emigration was voiced in academic circles, but hardly taken up by the donor community. That said, more recently donors have apparently recognized the importance of long-term development aid, as exemplified by the EU agreements (compacts) with countries of first asylum.

Our own empirical analysis (section 3.4) confirms that donors have not only changed their rhetoric, but also their behavior: since the early 2000s, higher numbers of internally displaced persons (IDPs) as well as refugees in countries of first asylum have been associated (on average) with higher allocations of long-term development aid (see figure I-10). This trend is likely to continue. At the 2017 Brussels Conference on “Supporting the Future of Syria and the Region,” for example, the international community pledged grants amounting to \$3.7 billion during 2018–20, on top of previous aid commitments to be shared between Syria, Jordan, Lebanon, Turkey, Iraq, and Egypt.

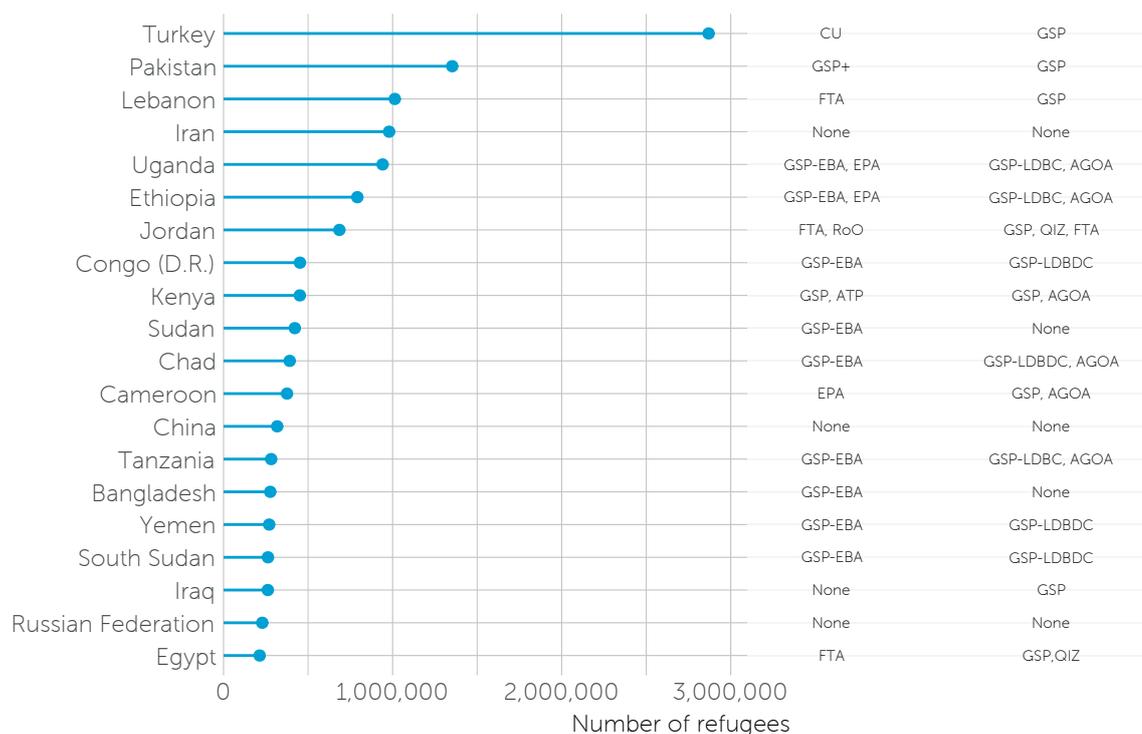
If all these pledges materialize, the chief remaining question is whether the allocated aid will be effective in shaping migration patterns in the desired way. This of course depends on a variety of factors, such as recipients’ absorptive capacity and the composition of the project portfolio. Our research suggests that aid may dampen migration if it is targeted at nonmonetary dimensions of well-being, such as the quality of public services. Conversely, if aid mainly has the effect of simply raising income in the short run, the opposite may happen, as the additional income facilitates a decision in favor of migrating.

Figure I-10 Larger donor response to countries hosting IDPs and refugees



Source: Own calculations, based on the OECD Common Reporting Standard dataset and OECD–DAC International Development Statistics (database).
 Note: The figure shows the trend over time of the average non-humanitarian ODA allocated by all donors (one year lagged) to the top 10 IDPs and refugees hosting countries.

Figure I-11 Top 20 refugee-hosting developing countries and preferential trade arrangements (as of end-2016)



Source: Own elaboration based on UNHCR and World Bank.
 1) GSP = Generalized System of Preferences; CU = Customs Union; FTA = Free Trade Agreement; AGOA = African Growth and Opportunity Act; QIZ = Qualified Industrial Zones program; ATP = Autonomous Trade Preferences; RoO = Rules of origin easing; Kenya, Tanzania, and Uganda have also signed FTAs with the EU but they have yet to be implemented.

Message 10: Trade preferences can help to support the economic integration of refugees in low- and middle-income host countries.

When many refugees arrive in a host country in a short period of time (as has happened in Turkey, Lebanon, and Jordan since 2012), export-oriented manufacturing industry may be one sector where jobs can be created quickly to promote the economic integration of refugees. Preferential trade regimes for developing country exports, such as the Qualifying Industrial Zones initiative launched by the United States in 1996 for Egypt and Jordan, have been used successfully to generate investment, export growth, and employment, even when the general business environment and investment climate in the exporting country were challenging. To promote the implementation of labor and environmental standards in developing countries and to facilitate the required investment, trade preferences have also been made conditional on the adoption of specific policies. In this spirit, the 2016 EU-Jordan Compact has eased the rules of origin for Jordanian exporters that employ a minimum share of Syrian refugees (section 3.5).

The use of trade preferences has been constrained by the fact that many of the top 20 refugee-hosting

developing countries (accounting for 75 percent of the world's refugees) already enjoy preferential access to the EU and U.S. markets (figure I-11). Yet, there remains significant room for making existing schemes more generous in terms of the number of products covered (e.g., by including sensitive products such as agricultural items or textiles, for which refugees often have the right training); the amount by which import tariffs are reduced; and the restrictiveness of rules of origin.

For trade preferences to promote refugee integration effectively, they should be part of a broader strategy to support refugee employment throughout the host-country economy wherever refugees' skills are most useful (including in non-tradeable sectors such as construction or domestic services). In this context, trade preferences could be made conditional not only on the behavior of exporting firms, but also on country-wide integration policies for refugees. Such an approach should include complementary financial and technical assistance, for example for investment in education, vocational training, and all other public services that are needed, to ensure that refugees do not compete with residents over scarce public goods.

1. European asylum and migration policy— Toward flexible solidarity

The number of irregular migrants arriving in Europe continued to fall in 2017. Judged alone by these numbers, European efforts to improve migration management may seem successful. However, several elements of the policies that have brought down the number of arrivals may not be sustainable. The situation along migration routes in Libya and the conditions on the Greek islands are testimony to this. Apart from addressing the underlying shortcomings of existing policies, there is a need to address fundamental problems of migration management. A case in point is the reform of the Dublin Regulation. Few have noticed that this contested draft legislation would do little to help Italy deal with Mediterranean crossings: most Mediterranean migrants are not eligible for protection and therefore would not be relocated within the EU under the proposed rules. The fundamental problem is rather the lack of an effective return policy—which would require not only actions coordinated at the EU level, but also a genuine partnership with African countries of origin. With the number of migrant arrivals down, now is the time to make progress on sustainable migration management in the EU.

In this chapter, we focus on key elements of a sustainable migration management system with a particular focus on legal pathways to EU labor markets. We start from the five dimensions of a sustainable EU policy framework for immigration and refugee protection that we identified in our first MEDAM assessment report: (i) external border management; (ii) burden sharing in the hosting of asylum seekers within the

EU (including through joint financing); (iii) intra-EU relocation of refugees; (iv) financial support to third countries that host refugees; and (v) resettlement of vulnerable refugees from third countries. In section 1.1, we discuss lessons from Greece and the Central Mediterranean as well as current EU legislative initiatives in the light of these key dimensions of a sustainable immigration and asylum system. In section 1.2, we zoom in on the situation in the Mediterranean and assess how challenges in external border management and the absence of effective return operations connect with the lack of legal migration pathways into the EU. In section 1.3, we assess existing legal pathways into member states' labor markets and explore how the EU can consolidate offers for more legal labor migration by EU member states to become part of a wider EU-Africa partnership for better migration management and economic development in the Mediterranean region and beyond.

Our main message throughout chapter 1 is the need for flexible solidarity among EU member states, covering all policies related to the immigration and asylum system (our 'five dimensions'). To develop an effective EU response, it is essential to acknowledge that member states differ in their political preferences and in their capacity to contribute to the various policies. At the same time, given the high degree of economic and political integration in the EU, a joint response by member states and EU institutions is required to address the interrelated challenges of irregular immigration, refugee protection, and relations with neighboring regions, including Africa.

1.1 Reforming asylum and migration policies— Burden sharing remains key

Lead authors: Mikkel Barslund, Mattia Di Salvo, and Matthias Lücke

Europe saw fewer irregular arrivals in 2017 compared with 2016. One reason was the EU-Turkey agreement of March 2016 that closed the Eastern Mediterranean route, but there was also a sharp decrease in the number of people crossing the Mediterranean Sea to Italy or taking the Western Balkan route; arrivals in Spain via the Western Mediterranean route more than doubled, but remained small in comparison with the other routes (table 1.1).

In terms of the overall debate on asylum and migration management policies, two developments in 2017

are of specific importance. First, the fall in arrivals via the Central Mediterranean route came about after implementation in the summer of 2017 of the Italy-Libya Memorandum of Understanding (MEDAM 2017).¹ This includes assistance to the Libyan coast guard as well as to local communities in southern Libya. Other initiatives supported by the EU in Niger, the main entry route into Libya from Western Africa, also likely played a role. These initiatives largely arose from the refusal of other EU countries to help Italy accommodate people rescued in the Mediterranean

Table 1.1 Irregular entries into the EU by main route, 2014–17

Route	2014	2015	2016	2017 (total)	2017 first half	2017 second half
Central Mediterranean Destination: Italy, Malta Origin: Eritrea, Guinea, Nigeria, Somalia	170,760	153,946	181,126	118,962	83,533	35,429
Eastern Mediterranean Destination: Greece Origin: Afghanistan, Iran, Iraq, Somalia, Syria	50,830	885,386	182,534	42,319	13,464	28,855
Western Mediterranean Destination: Spain Origin: Sub-Saharan and West Africa	7,840	7,164	10,231	23,113	7,552	15,591
Western Balkans Destination: Hungary, (Germany, Austria...) Origin: Albania, Kosovo, plus arrivals from the Eastern Mediterranean route	43,360	764,038	122,779	12,179	5,728	6,451

Source: Own elaboration based on Frontex.

¹ We make extensive reference to the first MEDAM report in this section, where the fundamental interdependencies and spillovers among the various policy areas are discussed in detail (see sections 2.2 and 2.3 in MEDAM 2017). This section is not meant to cover all elements of the Common European Asylum System.

as part of various search and rescue (SAR) operations. This shows that there is very limited support among EU member states for burden sharing when it comes to asylum seekers who are unlikely (on average) to receive protection in the EU. The same challenge was already embodied in the design of the EU relocation scheme for asylum seekers that expired in September 2017 and covered only individuals from countries with a protection ratio of more than 75 percent. Since most asylum seekers who arrive after traveling across the Central and Western Mediterranean have little chance of being recognized as refugees in the EU, the proposed reforms of the Dublin Regulation would have little impact on the current situation.

Second, while there were fewer crossings from Turkey to the Greek islands in 2017 than in 2016, they actually increased in the second half of 2017 (table 1.1). Moreover, very few migrants are returned from Greece to Turkey although this is foreseen in the EU-Turkey agreement. While some refugees have been moved from the islands to the Greek mainland, reception centers on the islands are still under strain and living conditions are often precarious. Hence, there is a need not only to improve reception conditions but also to implement a functioning return system as laid out in the EU-Turkey agreement, including a mechanism for monitoring the conditions of refugees upon return. Additionally, EU countries still have to agree on the second tranche of payments to the Facility for Refugees in Turkey (€3 billion) to be contracted in 2018.

Both developments illustrate the need for more EU involvement in managing migration to EU countries, in line with the concept of “refugee protection as a public good” as argued in the first MEDAM report (2017). They also highlight, in the case of Italy, the importance of incentives for individual member states. In the absence of a systemic EU approach to migration, member states are left to devise their own policies to fill the gaps. These may or may not be optimal from the perspective of all 28 member states, but they constitute our benchmark for evaluating alternative policy prescriptions. This is an important metric to understand. As an example, a feasible common EU policy in Libya would involve cooperation with the authorities on the ground and could eventually improve conditions for migrants in Libya (for instance, by pushing authorities not to violate the human rights of migrants; facilitating voluntary return; offering resettlement to the most vulnerable migrants; or providing legal pathways for some labor migrants). The most likely alternative to a common EU policy along these lines is the present disparate (and likely more restrictive) mix of asylum policies of

individual EU member states – and, hence, worse conditions for current and future migrants in Libya. The relevant counterfactual is not a well-organized transfer of all migrants from Libya to Italy.

In this section, we begin by assessing the internal dimensions of the EU’s migration management with a focus on the Dublin Regulation, the asylum systems of member states, and external border management. Policy reforms that represent steps toward a sustainable EU system of asylum management, each building on our notion of flexible solidarity, follow from this assessment. We then assess the external dimension, notably financial support for countries that host refugees, including the EU-Turkey agreement, and funding for international organizations engaged in migration management. We conclude by highlighting the steps needed to improve governance of the external dimension while ensuring fair cooperation within the EU.

Internal dimensions of EU migration governance

In our first MEDAM report, we outlined the first-best solution to the provision of the public good of refugee protection within the EU (MEDAM 2017): individuals recognized as needing protection are relocated within the EU according to a formula that takes into account the preferences of member states and refugees. The preconditions for this approach to be optimal are central (EU-level) external border management and asylum standards, in addition to the central financing of integration costs, along with the costs of hosting and returning rejected asylum seekers. Yet we recognized, and maintain, that a proposal for such a centralized system runs afoul of political realities. Thus, below the emphasis is on concrete implementable steps toward a better EU approach to migration management. Our key point about flexible solidarity is that while all member states will have to make contributions, they may vary in intensity depending on the policy area and action.

Reforming the Dublin Regulation

The proposed reform of the Dublin Regulation² has become a hallmark of the divisiveness of asylum and migration policy among EU member states. Most observers agree that an overhaul is necessary because the present system, *in principle*, puts a disproportionate burden on countries on the external border due to the ‘first country principle.’ The main contentious point of the proposed reform is an automatic, mandatory mechanism for relocating asylum seekers that is triggered when a country receives more asylum applications than 150 percent of a distribution key, which is determined

² See MEDAM (2017) for an initial assessment of the proposal (i.e., European Commission, “Proposal for a Regulation of the European Parliament and of the Council establishing the criteria and mechanisms for determining the Member State responsible for examining an application for international protection lodged in one of the Member States by a third-country national or a stateless person” (recast), COM(2016) 270 final, Brussels (May 4, 2016)).

by a function of that country's share of population and GDP.³ Opposition to this mandatory relocation aspect has meant that after two years there is still no common position in the European Council.

This divisiveness casts doubt on one of the presumed advantages of mandatory relocations: crisis resilience. If a country's asylum system is overburdened by a humanitarian crisis, the automatic relocation mechanism is triggered. However, not only is there the issue of whether reluctant countries will actually accept relocated refugees in greater numbers in the event of a crisis but also whether they will have the structures in place to facilitate meaningful integration into society and, importantly, to limit secondary movements in a borderless Schengen area.⁴ While such movements would be illegal and could carry penalties, the past years have shown that such sanctions are very difficult to enforce, particularly in the face of a large number of people moving.

Moreover, had the proposed amended Dublin Regulation been in place during 2017, it would have done little to address the problem that Italy encountered with irregular migrants in the past year. The reason is that frontline member states would have to carry out admissibility checks prior to implementing Dublin procedures, which means assessing whether applicants have arrived from a first country of asylum, a safe third country, or a safe origin country, or whether they pose a threat to national security. In such cases, the member state responsible for assessing the application is the member state of first arrival. Given the nationalities of the migrants arriving in Italy and the various countries that they transited, only a small share of those arriving in Italy would qualify for relocation. In fact, few relocations—as a share of total asylum applications—would have taken place at all in 2017.

Given the political divisiveness and limited effectiveness of mandatory relocation, we argued in our 2017 MEDAM report that a politically feasible way forward is to rely on a 'coalition of the willing' member states for relocations when needed in times of crisis. A coalition of the willing would remain the mainstay of an approach applying flexible solidarity to relocations: financial compensation from the EU budget would be allocated for relocated refugees, ensuring burden sharing through contributions from member states as set out in the Multiannual Financial Framework. It would be natural to align this amount with the one disbursed for the resettlement of refugees from third countries

under the Union Resettlement Framework (see section 1.2). For many countries, however, the proposed amount of €10,000 per refugee is too low relative to the cost of hosting people in need of protection. A higher amount, potentially linked to a cost of living index, would enhance financial solidarity. Countries not participating in the relocation scheme would be expected to contribute financially and in other ways to member states hosting many refugees.

To achieve further financial burden sharing in the longer term, a system of central financing per asylum seeker should be considered. Contributions from the EU budget would depend on the actual costs and subsequent status of the asylum seeker (i.e., recognized versus non-recognized). The system would apply not only in times of crisis and relocation but to every refugee hosted. To be meaningful this would require dedicated financing through the EU budget. With an average of around 600,000 asylum applications per year over the past decade, an average payment of €10,000 per asylum seeker (already on the low side) would require an annual budget of €6 billion per year. To limit the budgetary impact, the system could kick in when a country exceeds 50 percent of its reference key mentioned above (and it would cover only asylum seekers above the threshold). The upcoming budget cycle for the period 2021–27 provides an opportunity for introducing such a system.

Support for external border management

Member states on the external border will still require additional support to manage the EU's external borders. Assistance in managing external borders is provided through the European Border and Coast Guard Agency (EBCG) (MEDAM 2017). The EBCG continues to support countries with external borders primarily along the three Mediterranean access routes and the Western Balkans. The foreseen upgrade of the agency's capacity is ongoing and when it comes to pledging and nominating manpower, the rapid reaction force to be deployed in case of emergency is now fully staffed.⁵ However, committing equipment has been slower and the Commission has called on member states to act on this.⁶ In addition, there is an immediate need for allocating, from member states, personnel and equipment to cover activities in 2018. Given the priority member states attach to controlling borders and return operations (on which the EBCG is assisting member states), covering these gaps should be a priority.

³ The proposal contains other changes (such as new obligations aimed at limiting the risk of secondary movements, shorter time limits for the different steps of the procedure, transformation of take-back requests into simple notifications, and an enlarged scope of the information to be provided to applicants), which can be implemented independent of the relocation mechanism.

⁴ The EU relocation scheme ending in 2017 had already shown signs of these problems: all the people relocated to Latvia have since left the country. See *Baltic Times*, "Only five of the asylum seekers relocated to Latvia are still in the country" (February 22, 2017), https://www.baltictimes.com/only_five_of_the_asylum_seekers_relocated_to_latvia_are_still_in_the_country/.

⁵ Composed of 1,500 border guards, the rapid reaction pool is a standing corps at the disposal of the EBCG to be deployed in emergency situations that require immediate action or which could jeopardize the functioning of the Schengen area.

⁶ European Commission, Communication from the Commission to the European Parliament, the European Council and the Council, "Progress report on the Implementation of the European Agenda on Migration," COM(2018) 250 final, Brussels (March 14, 2018).

Contributing funding and equipment to the EBCG provides scope for flexible solidarity: Member states that spend less than others on hosting and integrating irregular migrants may be encouraged to contribute more immediate additional funding for EBCG activities. Such a linkage should be a guideline for the Commission in upcoming talks with member states on additional funding. Going beyond immediate needs, the next EU budget cycle (2021–27) should include a fully funded EBCG, ensuring full financial burden sharing among all member states.⁷

As part of its operations in the Mediterranean Sea and external border management, the EBCG together with Italian authorities operates training programs for the Libyan coast guard to limit the departures of irregular migrants from Libyan shores and to carry out SAR operations within Libyan territorial waters.⁸ According to media reports, the Italian government also works directly with militias along the coastline and in southern Libya to prevent further migration and departures.⁹ Other related activities mainly financed by the EU Emergency Trust Fund for Africa aim at limiting the inflow of migrants into Libya along the main migratory routes (primarily via Niger). Though difficult to estimate, it is reasonable to assume that the fall in the number of crossings in 2017 is largely explained by these activities.

Yet, working with the Libyan government, which is widely acknowledged to have only partial control of Libyan territory, as well as with other nongovernment actors is problematic for two main reasons. First, there are the widespread reports of human rights abuses in Libya and deplorable conditions even in government-run detention centers. Second, without providing migrants alternative options for leaving Libya, they risk remaining stranded in detention centers or in informal centers run by people smugglers.

In order to improve the situation in Libya, further training and financing of the Libyan coast guard should be made conditional on letting the International Organization for Migration (IOM) and the United Nations High Commissioner for Refugees (UNHCR) have access to the migrants rescued in SAR operations as well as those in detention centers.¹⁰ The IOM is running a Voluntary Humanitarian Return program from Libya whereby migrants in detention centers who wish

to return to their country of origin are provided with assistance to do so. Efforts are also under way to evacuate vulnerable migrants to Niger jointly with the UNHCR, with a view to resettling them in the EU (see section 1.2 below).

Both the European Commission and Italy recognize that the current policies to manage the external border—a consequence of large numbers of irregular crossings of and drownings in the Mediterranean, combined with a lack of effective return policies once migrants land in Italy—should not stand alone. Rather, a three-pronged strategy to manage migration pressure from Northern Africa is necessary: (i) limit crossings of the Mediterranean and importantly, migration into Libya in the first instance; (ii) offer migrants in Libya assistance to return to and reintegrate into their country of origin; and (iii) evacuate vulnerable people in need of protection for subsequent relocation. This three-pronged strategy requires close cooperation with third countries as well as international organizations (see the subsection on the external dimensions of EU migration management below).

Reforming EU asylum systems

External border management (as discussed above) aims to limit the incentives to cross the Mediterranean for those individuals without a claim for international protection. Nevertheless, these policies may not be sustainable due to the fragility of the Libyan partner. Moreover, in the long run, policies for managing external borders alone cannot fully address two fundamental problems affecting European asylum systems: lengthy procedures and the inability to return individuals whose asylum application is rejected. The latter is an EU-wide issue that we treat in section 1.2.

As regards asylum systems, a combination of lengthy asylum procedures, a low probability of being returned to the country of origin after being denied protection, and the ease of crossing internal EU borders imply that the outcome of the asylum procedure has little impact on migrants' prospects for staying in Europe. Lengthy asylum procedures also put pressure on the hotspots where applicants are waiting for asylum decisions (see MEDAM 2017). Furthermore, for people eligible for international protection, the long processing time may negatively affect integration prospects (*ibid.*).

⁷ The potential scope of the future EBCG ranges from funding the current level of operations to a fully-fledged EU EBCG taking over all border operations from member states with its own equipment and staff. The latter option is estimated to require a budget in the order of 14 percent of today's EU budget (European Commission, "Progress report on the Implementation of the European Agenda on Migration," COM(2018) 250 final, 2018).

⁸ See the EUNAVFOR MED Press Release, "Operation SOPHIA: New training modules for the Libyan Coastguard and Navy arranged in Italy," Rome (September 9, 2017), https://eeas.europa.eu/csdp-missions-operations/eunavfor-med-operation-sophia/32315/operation-sophia-new-training-modules-libyan-coastguard-and-navy-arranged-italy_en.

⁹ For instance, see M. Herbert and J. Harchaoui, "Italy claims it's found a solution to Europe's migrant problem. Here's why Italy's wrong," *Washington Post* (September 26, 2017). The article reports claims about payments made by Italian government representatives using intermediaries such as mayors and other local leaders. Other concerns were expressed about the risk of turning smugglers into coast guards overnight. The UN Security Council documented existing links between armed criminal groups and the coast guard in Zawiya, specifically concerning the business run with detention centers in the region and human rights violations observed in such centers (see Annex 17 and Annex 30 of the Final Report of the Panel of Experts on Libya established pursuant to resolution 1973 (2011), S/2017/466, United Nations Security Council, June 1, 2017).

¹⁰ As proposed by Dalhuisen and Knaus (2018) and Leghtas (2018).

The effectiveness of asylum procedures varies by country (and according to surges in caseloads).¹¹ Still, because most crossings of the Mediterranean go to Italy and Greece, improving the speed of procedures in these two countries is an important element to enhance overall EU migration management. EU support for Greece and Italy is already available through the European Asylum Support Office (EASO), the EU body responsible for operational support for member states on the external border challenged by a large number of asylum applications (MEDAM 2017).

To support Greek and Italian authorities in coping with asylum applications and shortening the length of asylum procedures, investing additional resources at the EU level to increase assistance is a priority. The additional funding and operational manpower needed would be of an order that can be accommodated by the current EU budget. One concrete proposal by the European Stability Initiative (2018b) is to set up pilot projects in Greece and Italy modeled on the procedures of the Dutch asylum system. In the Dutch general asylum procedure, a first-instance decision is reached following an eight-day process during which asylum seekers are interviewed twice and enjoy free legal assistance. In the case of a negative first-instance decision, a final decision is reached within four weeks after the appeal is lodged; therefore, the time needed to reach a final decision in the Netherlands is usually two months (European Stability Initiative 2018a; AIDA and the Dutch Council for Refugees 2018).

For Greece this would permit faster transfers to Turkey under the EU-Turkey agreement (discussed further below), whereas for Italy faster decisions would facilitate return management and reduce incentives to cross the Mediterranean for migrants who are ineligible for protection. The initiative to speed up asylum procedures will have to come from the Italian and Greek governments. However, a comprehensive EU plan, addressing important complementary policies such as improving return rates, cooperation with Turkey on the application of the EU-Turkey agreement, and a stated willingness to provide flexible solidarity in order to relocate recognized refugees when systems are overburdened, may be an attractive package to help convince leaders in Greece and Italy.¹²

Another critical aspect of member states' asylum systems is the diversity of asylum outcomes and reception conditions. There are large disparities in member states' propensity to grant asylum to refugees of the same nationality. Afghans applying for protection in 2016 in Italy had a 97 percent chance of being recognized as needing international protection (Parusel and Schneider 2017), vs. 1.7 percent in Bulgaria. Such differences are difficult to explain with reference to applicants from one and the same country of origin having different characteristics in the two member states. Furthermore, differences in the type of protection granted (e.g., under the 1951 Refugee Convention vs. subsidiary protection) are also common among EU countries (SVR 2018).

Variations in asylum outcomes on this scale among otherwise similar cases are not only objectively unfair, favoring the informed, resourceful, and least vulnerable migrants; they also increase incentives for irregular movements within and outside the EU, often relying on smugglers to reach the destination country perceived as most favorable. These are good reasons to further harmonize member states' asylum systems.

As part of the Common European Asylum System the Commission has proposed several initiatives to ensure greater harmonization: the Reception Conditions Directive¹³ aims at further harmonizing reception conditions across member states with the goal of limiting secondary movement,¹⁴ whereas the Qualification Regulation¹⁵ and the Asylum Procedure Regulation¹⁶ set common standards for granting international protection and define the relevant procedures. Member states would be obliged to rely on common analysis and guidance about the situation in the country of origin provided at the EU level by the European Union Agency for Asylum and by dedicated European networks. Other provisions include common time limits for appeal stages as well as a common EU list of safe third countries.

These reforms are vital to move toward a more centralized asylum system for the EU in the longer term. While there have been calls for 'more EU' in processing asylum claims, direct involvement in assessing claims would necessitate not only that this competence—which presently lies with member states—be transferred to an EU institution, but also that a

¹¹ European Commission, "Proposal for a Regulation of the European Parliament and of the Council establishing a common procedure for international protection in the Union and repealing Directive 2013/32/EU," COM(2016) 467 final, Brussels (June 13, 2016).

¹² The Italian government amended its immigration law in April 2017 to shorten asylum procedures, but it is still early to assess its effectiveness.

¹³ European Commission, "Proposal for a Directive of the European Parliament and of the Council laying down standards for the reception of applicants for international protection" (recast), COM(2016) 465 final, Brussels (June 13, 2016).

¹⁴ It seeks to do so, for instance, by standardizing definitions (e.g., of family members and people with special reception needs), by applying operational standards and indicators for reception conditions developed by EASO, and by imposing a three-month limit after the lodging of an application to grant access to the labor market.

¹⁵ European Commission, "Proposal for a Regulation of the European Parliament and of the Council on standards for the qualification of third-country nationals or stateless persons as beneficiaries of international protection, for a uniform status for refugees or for persons eligible for subsidiary protection and for the content of the protection granted and amending Council Directive 2003/109/EC of 25 November 2003 concerning the status of third-country nationals who are long-term residents," COM(2016) 466 final, Brussels (June 13, 2016).

¹⁶ European Commission, "Proposal for a Regulation of the European Parliament and of the Council establishing a common procedure for international protection," COM(2016) 467 final (2016).

mandatory distribution key for asylum seekers be in place. In the short term, EU institutions are limited to acting through EASO to support national asylum systems operationally and financially. This is achievable in line with the notion of flexible solidarity through the EU budget and a coalition of willing member states for relocation in times of crisis.

External dimensions of EU migration governance

With regard to its asylum system, the EU not only needs to put its own house in order. There is an important external dimension to EU asylum policy that involves support for third countries that host refugees and for international organizations engaged in global migration governance. This section focuses on support for Turkey under the EU-Turkey agreement.¹⁷ It also looks at support for African countries and the international organizations engaged there through the EU Emergency Trust Fund for Africa.

In general, and as argued in the 2017 MEDAM report, the EU in cooperation with member states should take on more financial responsibility for the protection of refugees at the global level. This includes increased support for third countries that host many refugees and the international organizations that assist them.¹⁸ While many member states are already important actors in delivering humanitarian aid, increasing the part financed by the EU budget would ensure genuine burden sharing among member states.

Stable funding for host countries reduces the risk of sudden secondary movements of large numbers of refugees along often dangerous routes. Therefore, funding for the second tranche of the EU-Turkey deal should be committed as soon as possible. Although Turkey remains a difficult partner, the bulk of funding is of a humanitarian nature and is directed at refugees needing support, mostly through nongovernmental organizations rather than the Turkish government.

The EU-Turkey agreement

The EU's engagement with Turkey has worked well when it comes to practical implementation on the ground in Turkey. All of the €3 billion from the first tranche had been contracted out by the end of 2017, with all but a small part of it funding nongovernmental and international organizations. The EU-Turkey Statement¹⁹ foresees another €3 billion tranche committed during 2018. This deal is an important pillar in manag-

ing migration to the EU and supporting third countries hosting refugees. Making these additional funds available is a key priority. The Commission has suggested covering €1 billion from its own funds with member states funding the remainder. The share funded by member states provides an opportunity to apply flexible solidarity by having those countries least affected by immigration finance a relatively larger share of the commitment.

While support for refugees in Turkey has worked well under the agreement, the one-for-one return and resettlement procedure has been less successful to date. Since the conclusion of the EU-Turkey agreement, very few people have been returned from Greece to Turkey. Against a total of more than 50,000 arrivals, only just over 2,000 people have (or have been) returned to Turkey in the two years since March 2016; another 12,000 have returned voluntarily (from both the Greek islands and the mainland) through the Assisted Voluntary Return and Reintegration program.²⁰ Therefore, the probability of being returned to Turkey is very low. With only few individuals relocated to other EU member states,²¹ a great proportion of the people who have arrived on the Greek islands since March 2016 are still waiting for a decision on their request for protection.

The main problem is the slow speed of asylum decisions in Greece as discussed above, coupled with the limited accommodation capacity on the islands where refugees arrive. In the second half of 2017, an average of just over 3,000 people per month arrived on the islands. With a total capacity of around 7,000 places, people cannot spend much more than two months on average on the islands before facilities become overcrowded (European Stability Initiative 2018c). However, refugees spent an average of five months on the islands in 2017. Hence, reception centers are already at more than full capacity, which makes the system vulnerable to a sudden increase in arrivals, especially if the number of returns to Turkey remains low.

Moreover, there is the issue of whether Turkey can be considered safe for returned asylum seekers, without the risk of abuse and chain refoulement to unsafe countries. These risks remain in particular for non-Syrians (Ulusoy and Battjes 2017). The upcoming talks between EU member states and Turkey on how to spend the second tranche of EU payments provide a good opportunity to strengthen monitoring as foreseen in the deal.

¹⁷ European Council, "EU-Turkey Statement," Brussels (March 2016), <http://www.consilium.europa.eu/en/press/press-releases/2016/03/18/eu-turkey-statement/>.

¹⁸ Besides Turkey, the EU is supporting Syria's other neighbouring countries, Jordan and Lebanon, in providing better services and protection to asylum seekers and refugees. The budget committed by the EU for actions to be carried out in 2018 is €334 million for Lebanon and €228 million for Jordan. See European Commission, "Progress report on the Implementation of the European Agenda on Migration," COM(2018) 250 final (2018).

¹⁹ European Council, "EU-Turkey Statement" (2016), <http://www.consilium.europa.eu/en/press/press-releases/2016/03/18/eu-turkey-statement/>.

²⁰ European Commission, "EU-Turkey Statement: Two years on," Brussels (March 2018), https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/20180314_eu-turkey-two-years-on_en.pdf.

²¹ As of 18 April 2018, a total of 21,999 people (33 percent of the 66,400 originally foreseen) have been relocated from Greece to other member states since the launch of the Member States' Support to Emergency Relocation Mechanism (see European Commission, https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/press-material/docs/state_of_play_-_relocation_en.pdf).

When it comes to returns from the Greek islands, a procedure based on European Court of Human Rights (ECtHR) case law and previous European Commission guidelines for resuming Dublin transfers to Greece in 2016 should be explored (European Stability Initiative, 2018c). This would entail Turkey, Greece, and the EU agreeing on a monitoring mechanism to ensure that the guarantees provided by Turkey in relation to returning asylum seekers are implemented on the ground.

The legal background is a ruling by the ECtHR in 2014 (*Tarakhel v. Switzerland*).²² The court decided to suspend the relocation of the Tarakhel family from Switzerland to Italy (which was the country of first arrival and thus responsible for the asylum procedure under the Dublin Regulation) because the Swiss authorities did not request any guarantees from Italy about the reception conditions for the family. The decision requires the sending state to inquire about the receiving state's compliance with the European Convention on Human Rights (Article 3) if there is information that points to possible, case-specific, individual risks, even when there is no indication of systematic deficiencies (ECRE 2015; Taylor 2014). Since decisions of the ECtHR apply to the Council of Europe (of which Turkey is a member), Turkey could provide such assurances to EU member states and Greece through a monitoring body.²³

The Tarakhel case formed the background to the procedures suggested by the European Commission in 2016 in its recommendation to resume Dublin transfers to Greece, after a period in which they had been suspended. The Commission recommended resuming Dublin transfers "on the basis of individual assurances...and taking account of the currently inadequate treatment of certain categories of persons."²⁴ Specifically, it suggested that the process includes active contact between the sending country and the receiving country (Greece); a team of member state and EASO experts to monitor conditions (pre-transfer and upon transfer) and to facilitate the exchange of information; and periodic reporting by Greek authorities on progress made in addressing shortcomings of their asylum system.

Support for Northern Africa

Countries in Northern Africa, particularly Libya, are at the end of migration routes from Western and Eastern Africa to the Mediterranean (and further toward Europe). The EU is financing activities, mainly through the EU Emergency Trust Fund for Africa, in Libya and

countries along the migration routes to relieve the hazardous conditions migrants face. Given the difficult situation in Libya, supporting migrants there is a policy priority. EU involvement in Libya was stepped up with the creation of the joint African Union-EU-UN task force in November 2017.

Among other actions, the EU is providing finance to the IOM for its assisted voluntary return program for migrants stranded in Libya or along the main migration routes, where information on the 'costs and risks of irregular migration' is also provided by the IOM or local partners.²⁵ In the three months to mid-March 2018, 10,000 migrants were assisted with their voluntary return (IOM 2018). The program also provides help to reintegrate into local communities in the countries of origin. These initiatives are important to help migrants already stranded in Libya and to avoid new migrants entering Libya.

Of equal importance is assisting vulnerable migrants in need of protection. This group of migrants, mainly unaccompanied children, single mothers, and people with serious medical conditions, may not be able to return, even with IOM assistance. To help this group, the EU is working with the UNHCR under the Emergency Transit Mechanism to evacuate migrants in need of protection from Libya to Niger for subsequent resettlement. By March 2018, 1,300 people had been evacuated, although of these only 25 had been resettled.

These programs matter in terms of numbers and make a difference on the ground. In 2017, the Libyan coast guard intercepted an average of 1,500 people per month (European Stability Initiative 2018b). Extending IOM support to all individuals disembarked by the Libyan coast guard is thus possible given the size of the voluntary return program. The number of migrants in official detention centers was brought down to 4,000 in mid-March 2018 from 20,000 in October 2017.²⁶

Resettling vulnerable migrants is more difficult. Yet, the EU can make a difference by committing some of its planned 50,000 resettlement places (see section 1.2) to resettlement from Niger. The numbers bear this out: in January 2018 the UNHCR reiterated its call for 40,000 resettlement places covering 15 countries along the central migration routes toward the Mediterranean (including Libya). While at that time only 13,000 places had been pledged, adding a significant proportion of the 50,000 places available under the EU scheme would go a long way towards meeting needs.

²² See the judgment of the ECtHR, Grand Chamber, in *Tarakhel v. Switzerland*, App. No. 29217/12, Eur.Ct.H.R. (2014).

²³ As reported above, the European Commission has already proposed a similar system for relocation in Greece under the Dublin Regulation. See Commission Recommendation (EU) 2016/2256 of 8 December 2016 addressed to the Member States on the resumption of transfers to Greece under Regulation (EU) No. 604/2013 of the European Parliament and of the Council, OJ L 340/60 (15.12.2016).

²⁴ Commission Recommendation (EU) 2016/2256 on the resumption of transfers to Greece (2016).

²⁵ European Commission, "EU-IOM Joint Initiative for Migrant Protection and Reintegration: One year on," Factsheet, Brussels (December 15, 2017), http://europa.eu/rapid/press-release_MEMO-17-5306_en.htm.

²⁶ UN News, "Thousands of migrants return home safely from Libya as part of UN-supported programme" (13 March 2018), <https://news.un.org/en/story/2018/03/1004782>.

In light of the results so far, ensuring sufficient funding for projects under the EU Emergency Trust Fund for Africa is a priority to further stabilize the situation along the different migration routes. The overall funding gap in 2018 and 2019 is about €1.2 billion. To close this gap, the Commission may usefully call especially on countries that have been less affected by migrant flows so far.²⁷

Regarding the external dimension of migration policy, we reiterate our warning (MEDAM, 2017) against adopting an ‘out of sight, out of mind’ mentality because the number of Mediterranean crossings has decreased. Given the volatile situation in Libya, withdrawing external support for migrants in the country and ceasing to engage with the authorities on the ground would almost certainly cause conditions to deteriorate and could lead to a resurgence in irregular departures to Europe.²⁸

Steps toward flexible solidarity

Better EU migration management will entail less irregular immigration and more regular, legal immigration (covered in detail in sections 1.2 and 1.3, respectively). In this section, we have identified the key institutional building blocks for improving EU migration management, with our 2017 MEDAM Assessment Report as a starting point. On this basis, we have recommended several specific actions, based on the notion of flexible solidarity among member states in the areas of asylum and immigration policy.

The drive by the European Commission to harmonize member states’ asylum systems is necessary both for reasons of fairness and to limit the secondary movement of migrants within the EU. Member states at the external border, notably Italy and Greece, should be able to call on more support, both technical (through EASO) and financial.

When it comes to reforming the Dublin Regulation, the diversity of views and political preferences within the EU regarding immigration suggests that the preferable option is a flexible ‘coalition of the willing’

approach for relocating recognized refugees in times of crisis, rather than mandatory relocation. Flexible solidarity can be achieved in the form of ‘money follows the refugee’ compensation from the EU budget. In the long term, this will need to be part of the new Multiannual Financial Framework (2021–27). Until 2021, i.e., for the years 2019 and 2020, financial burden sharing could come from a small-scale program calibrated to what can be achieved within the existing budget. One idea is to trigger compensation per refugee once a certain threshold number has been reached in a member state.

With respect to managing external borders and providing support for host countries outside the EU, the following issues are key:

- strengthening the EBCG by equipping the agency as has already been agreed;
- funding the upcoming €3 billion tranche under the EU-Turkey agreement in exchange for guarantees from Turkey that allow the EU to fully implement the deal and return refugees to Turkey in compliance with Greek and EU law;
- conditioning further training and financial support for the Libyan government and its coast guard on giving the UNHCR and IOM full access to rescued individuals and detention centers; and
- meeting the upcoming funding needs of the EU Emergency Trust Fund for Africa—in particular, support for the UNHCR and IOM programs for voluntary return and evacuation of vulnerable migrants.

For those steps where additional funding from member states is necessary, a flexible solidarity approach calls for a relatively larger financial burden falling on those countries less exposed to migrant flows.

²⁷ See European Commission, “Progress report on the Implementation of the European Agenda on Migration,” COM(2018) 250 final (2018).

²⁸ The Commission warned that funding for the year 2018 is falling short of expectations. See European Commission, “Progress report on the Implementation of the European Agenda on Migration,” COM(2018) 250 final (2018).

1.2 Curbing irregular migration on the Mediterranean: Increasing refugee resettlement and managing return

Lead authors:
Mattia Di Salvo and Lars Ludolph

Over the past decade, the Mediterranean has turned into the busiest yet deadliest migration corridor in the world. Between 2009 and 2017, more than 2 million migrants arrived by crossing one of its routes; in 2016 and 2017 alone, more than 8,000 people died or went missing when attempting to make their way to the EU.²⁹ With the closure of the Western Balkan route and the EU-Turkey agreement in place, the number of asylum seekers crossing from Turkey to Greece has decreased sharply.³⁰ On the other hand, the deterioration of the security situation in Libya and the increased migratory pressure from Sub-Saharan African countries has led to record arrivals in Italy via Libya, with monthly numbers often exceeding 20,000 in 2016 and in the first half of 2017. In the second half of 2017 and in the first trimester of 2018, arrivals have decreased significantly, following the implementation of the Memorandum of Understanding between Italy and Libya signed in February 2017. However, given the situation in Libya, concerns abound about the sustainability of the current policies to reduce arrivals in Italy.

The central dilemma behind the EU and Italy's emphasis on policies that curb all migration flows, including those of genuine refugees, is that of low return rates of rejected asylum seekers to their countries of origin—combined with an inefficient asylum system, primarily in Italy, where decisions on asylum can take years to conclude. At the same time, vulnerable migrants in genuine need of humanitarian protection have very few legal options to enter the EU.

This section zooms in on the two main shortcomings of the EU's approach to managing migration across the Mediterranean that cause these dilemmas: the lack of refugee resettlement from third countries to the EU and inefficient return operations of rejected asylum seekers from the EU to third countries. Both dilemmas must be addressed in order to move EU policies toward a sustainable approach of 'closing the backdoor and opening the front door.'

The former requires a commitment from EU member states to make more places available to the UNHCR.

The latter, as we argue, requires signing so-called non-standard readmission agreements with African countries in the context of genuine partnerships with these countries. The key issue is that, at present, the EU does not have sufficient bargaining instruments at its disposal to incentivize partner countries to readmit their citizens.

Refugee resettlement from third countries to the EU—Much room for improvement

Opening up legal pathways to the EU for humanitarian migrants currently does not require innovative policy solutions. UNHCR estimates on the need for resettlement places still exceed the actual number of resettled refugees by a huge margin (table 1.2).

EU countries have resettled fewer refugees than other developed countries: around 12 percent of the global total between 2014 and 2016. The increase to 36 percent in 2017 can be explained by two factors. First, the EU took in a considerable number of Syrians under the EU-Turkey agreement so that the share of Syrians among those resettled in the EU rose to 84 percent in 2017 from 57 percent in 2014. Under the EU-Turkey agreement, the EU pledged to resettle 25,000 Syrians from Turkey to the EU in 2017;³¹ it nearly reached that target with more than 18,000 Syrians resettled in the EU by November 2017. Second, global resettlement pledges decreased considerably from 126,291 in 2016 to 60,272 in 2017.

Despite the increased resettlement efforts by EU member states, many geographical regions—notably in Sub-Saharan Africa—do not see their resettlement needs being met. In 2017, the UNHCR estimated a total of 441,523 refugees to be in need of resettlement from an Africa country, but only a meager 7,000 quota places were allocated to Sub-Saharan countries by all destination countries combined. De facto, there are presently no legal pathways to the EU (or other countries involved in UNHCR resettlement) for vulnerable refugees from Sub-Saharan Africa (UNHCR 2017).

²⁹ The numbers represent aggregated statistics based on Frontex and UNHCR data. The fatalities are as recorded by the IOM's Missing Migrant Project.

³⁰ Numerous challenges persist on the Greek islands, see section 1.1.

³¹ See European Commission, 'Seventh Report on the Progress made in the Implementation of the EU-Turkey Statement,' COM(2017) 470 final, Brussels (September 6, 2017), https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20170906_seventh_report_on_the_progress_in_the_implementation_of_the_eu-turkey_statement_en.pdf.

Table 1.2 Global refugee resettlement needs and actual number of refugees resettled, 2014–18

Year	Estimated global number of refugees in need of resettlement	Global number of refugees resettled	Total number of refugees resettled in the EU	EU share of the total resettled (%)	Share of Syrians among the total number resettled in the EU (%)
2014	691,000	73,608	8,894	12.1	57.5
2015	960,000	81,893	9,629	11.8	63.1
2016	1,153,000	126,291	13,277	10.5	79.1
2017	1,190,000	60,272	21,568	35.8	83.7
2018	1,200,000	n.a.	n.a.	n.a.	n.a.

Source: Own elaboration based on UNHCR data; 2017 data up to and including November.

Note: Recent numbers in particular are subject to small changes (see UNHCR, <http://www.unhcr.org/uk/resettlement-data.html> for updates); n.a. = not available.

The European Commission is not unaware of the problem. It has recently met its goal, stated in the latest progress review of the 2015 European Agenda on Migration, of offering a total of 50,000 places for resettlement in EU member states during 2018 and 2019.³² The legislative motions toward a more coordinated and strategic EU resettlement framework therefore continue as planned and a compromise is likely to be reached in 2018. The framework will help to coordinate resettlement efforts at the EU level with member states contributing resettlement places on a voluntary basis, according to Council and Commission positions (the European Parliament wants to make participation mandatory). In return for participating, it is proposed that member states receive a lump-sum payment of €10,000 for each resettled individual.

The voluntary coordinated approach with flexible solidarity ensured via the payment from the EU budget is promising because it allows the Commission to verify the number of resettled individuals. However, the €10,000 currently suggested is unlikely to cover the long-term financial costs in most countries³³ and can only serve as a useful lever to adjust incentives marginally. In the long run, the European Commission will need to account for country-specific expected costs more accurately.

In coordination with the program for Voluntary Humanitarian Return from Libya run by the IOM, the resettlement of vulnerable individuals in the EU could help the humanitarian emergency situation in Libya in

the short term. The UNHCR already called for 40,000 additional places for resettlement from countries along the main routes leading toward the Central Mediterranean in September 2017.³⁴

Yet, with the EU-Turkey agreement in place and an estimated 300,000 Syrians in Turkey in need of resettlement, Sub-Saharan Africa—and vulnerable refugees elsewhere in the world—will likely come away empty-handed even within the new EU resettlement framework. The underlying issue is that global resettlement pledges are still too low relative to global needs. In the long run, meeting global resettlement needs will have to be coordinated at the global level. In this context, the European Parliament has proposed to use each country's share in global GDP as its target share in global resettlement pledges. For the EU, this would imply a goal of approximately 25 percent of annual, projected, global resettlement needs.³⁵

The importance of managing return operations

Improving the existing legal pathways into the EU (see section 1.3) and thus opening the EU's front door to migrants is only sustainable if irregular migration flows, the backdoor into the EU, are reduced. Return policies are a crucial weak link in the EU asylum system and improving their efficiency is a necessary step toward 'closing the backdoor'. If the outcome of an asylum procedure has, *de facto*, little impact on an indi-

³² See European Commission, "State of the Union 2017—Commission presents next steps towards a stronger, more effective and fairer EU migration and asylum policy," Press Release, Brussels (September 27, 2017), http://europa.eu/rapid/press-release_IP-17-3406_en.htm.

³³ The average unweighted estimated cost of an asylum seeker in the EU is around €10,000 for only the first year (MEDAM 2017).

³⁴ See UNHCR, "Central Mediterranean Situation: UNHCR calls for an additional 40,000 resettlement places," Geneva (September 11, 2017), <http://www.unhcr.org/news/press/2017/9/59b6a5134/central-mediterranean-situation-unhcr-calls-additional-40000-resettlement.html>.

³⁵ See European Parliament, "Report on the Proposal for a Regulation of the European Parliament and of the Council establishing a Union Resettlement Framework and amending Regulation (EU) No. 516/2014 of the European Parliament and the Council," COM(2016)0468—C8-0325/2016—2016/0225(COD)), Brussels (October 23, 2017), <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-%2F%2FEP%2FTEXT%2FBREPORT%2BA8-2017-0316%2B0%2BDOC%2BXML%2B-V0%2F%2FEN&language=EN>.

vidual’s probability of remaining in the EU, this triggers an inevitable chain reaction of adverse incentives under the current Dublin system:

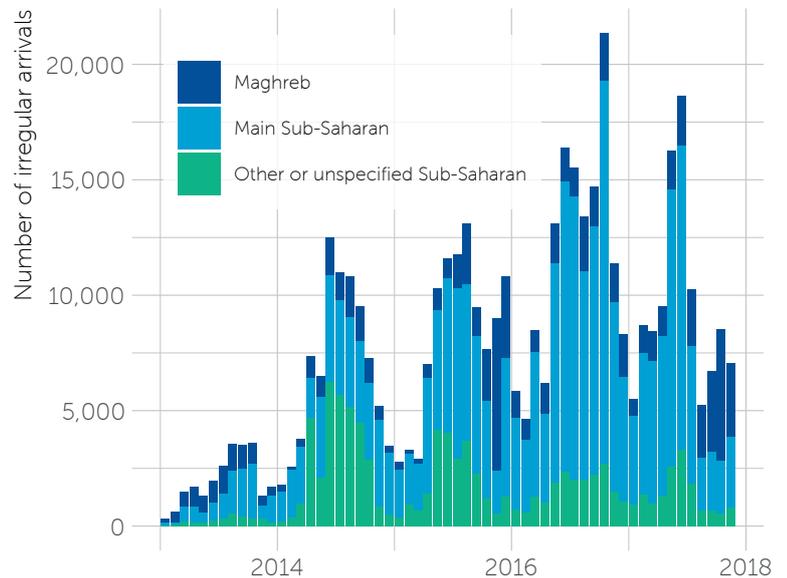
- It creates an incentive for irregular migration, because entering the EU becomes a ticket to stay in the absence of functioning return operations.
- Member states at the external border have an incentive to block out all asylum seekers since it is impossible to tell a priori whether immigrants have genuine humanitarian reasons or are using the asylum channel to enter the EU for economic reasons. This puts genuine asylum seekers at a clear disadvantage.
- Member states at the external border have little incentive to register asylum seekers or speed up asylum procedures, leaving all asylum seekers in a limbo state with adverse effects on their well-being and economic opportunities (Hainmüller et al. 2016).
- Internal EU member states have an incentive to reintroduce border controls at their Schengen borders because, otherwise, rejected asylum seekers might move into their territory and they would be left with the burden of handling return. This is further exacerbated by the incentive of external-border member states to let asylum seekers move on when return operations cannot be carried out.

Between 2008 and 2017, on average, 79 percent of final decisions on international protection (humanitarian status, Geneva Convention status, subsidiary protection status, and temporary protection status) in the EU were negative, and the overall EU-wide return rate—calculated as a share of those ordered to leave—was just 43 percent (37 percent excluding Western Balkans countries of origin). With a total of 6.1 million first-time asylum applications lodged in EU member states over the same period, managing return operations poses a severe challenge to national and supranational policy makers in the EU.

In this context, the large number of migrants entering the EU irregularly via the Central Mediterranean over the past years is particularly problematic. In recent years, these migrants have primarily come from Sub-Saharan African countries (with Bangladesh constituting another noteworthy country of origin) and thus hold nationalities that are most often not eligible for protection in the EU. Figure 1.1 shows the rising share of those arriving irregularly from Africa who have a low chance of protection.

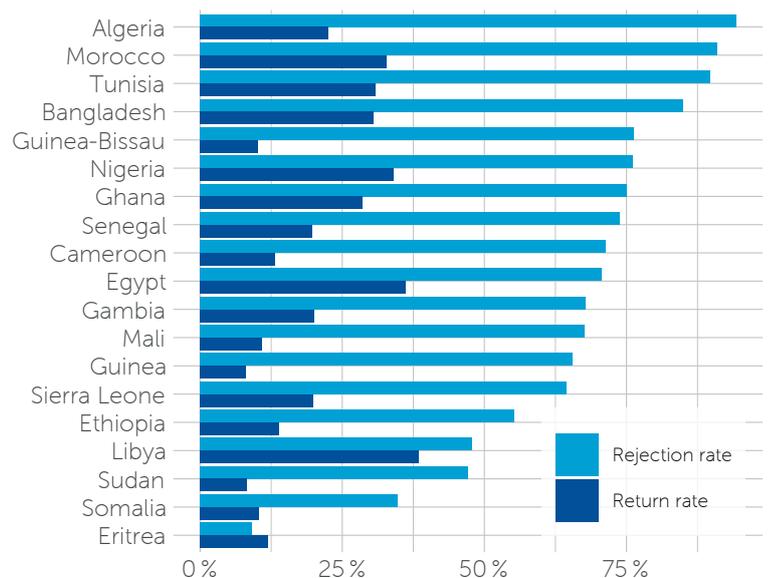
Due to the low protection rates for many nationalities prominent among irregular immigrants, two recent reform proposals for the Dublin system would not substantially alleviate the burden of arrivals via the

Figure 1.1 Monthly evolution of irregular arrivals from Africa (nationalities with average EU rates of first-instance recognition of less than 40 percent, 2013–17)



Source: Own elaboration based on Frontex data (Eurostat data (migr_asydcfina)).
 Note: ‘Main Sub-Saharan’ includes Côte d’Ivoire, The Gambia, Guinea, Mali, Nigeria, and Senegal. ‘Maghreb’ includes Algeria, Egypt, Morocco, and Tunisia.

Figure 1.2 Rejection and total return rates by nationality, 2014–16



Source: Own elaboration based on Eurostat and Frontex, summed 2014–16 data.
 Note: ‘Rejection rate = the share of rejected asylum applications in 2014–16; return rate = the share of the returned among the total number ordered to leave in 2014–16.’

Table 1.3 Main reasons for difficulties in carrying out return operations

Overarching issue	Examples
Unwillingness to cooperate on the part of the rejected asylum seeker	<ul style="list-style-type: none"> • Withholding or destroying documents • Absconding • Misusing the non-detention principle for minors • Launching repetitive appeal procedures
Administrative/technical issues when carrying out return operations	<ul style="list-style-type: none"> • Insufficient resources and infrastructure • Implementation issues with alternatives to detention • Refusal of airline companies to carry out return operations
Unwillingness to cooperate on the part of the source country	<ul style="list-style-type: none"> • Refusal to admit their citizen • Refusal to issue (or delaying issuance of) travel documents • Refusal to issue (or delaying issuance of) identity documents • Refusal to accept charter flights

Sources: Own elaboration based on European Migration Network (2016a; 2016b).

Note: This list is non-exhaustive as it does not include exceptional reasons, such as medical or psychological issues affecting the asylum seekers, the return of asylum seekers rejected on the basis of Article 1F of the 1951 Refugee Convention, and civil society or media efforts against return operations.

Mediterranean on member states at the external border. The European Commission's (2016) proposal³⁶ for recasting the Dublin system includes critical admissibility checks—specifically, relocation of only those asylum seekers who do not come from a safe third country or a first country of asylum. Similarly, the “carefully calibrated filter” suggested by the European Parliament³⁷ in 2017 would exclude asylum seekers from relocation if they have only a low chance of gaining protection.

Return rates are extremely low for almost all rejected asylum seekers entering the EU via the Central Mediterranean. Figure 1.2 shows the rejection and return rates of asylum seekers by the main countries of origin.³⁸

The reasons for the low return rates are manifold. Table 1.3 summarizes them into three categories: (i) unwillingness to cooperate on the part of the rejected asylum seeker; (ii) administrative and technical issues in the EU member state; and (iii) unwillingness to cooperate on the part of the source country.

The first two issues listed in table 1.3 can arguably be overcome by dedicating more resources to return operations. The European Commission envisions supporting member states in these efforts by equipping the European Border and Coast Guard with a true return department that does not rely on specific requests from member states but acts more proactively. In a first step, the return department will develop operational return plans for all member states by mid-2018. Later on, the aim is to coordinate the joint actions of member states on return logistics.³⁹

The European Commission further provides substantial financial assistance to EU member states in carrying out return operations through its Asylum, Migration, and Integration Fund, of which €806 million period is reserved for return and readmission during 2014 to 2020. An additional €200 million was made available in 2017.⁴⁰ Current efforts to develop joint frameworks under the Assisted Voluntary Return and Reintegration program as initiated by the European

³⁶ See European Commission, “Proposal for a Regulation of the European Parliament and of the Council establishing the criteria and mechanisms for determining the member state responsible for examining an application for international protection lodged in one of the Member States by a third-country national or a stateless person” (recast), COM(2016) 270 final, Brussels (May 4, 2016), https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/proposal-implementation-package/docs/20160504/dublin_reform_proposal_en.pdf.

³⁷ See European Parliament, “Report on the Proposal for a Regulation of the European Parliament and of the Council establishing the criteria and mechanisms for determining the Member State responsible for examining an application for international protection lodged in one of the Member States by a third-country national or a stateless person” (recast), (November 6, 2017), <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-%2f%2fEP%2f%2fTEXT%2bREPORT%-2bA8-2017-0345%2b0%2bDOC%2bXML%2bV0%2f%2fEN&language=EN#title1>.

³⁸ The analysis excludes Syria as, for simplicity, we assume that all Syrians are eligible for protection.

³⁹ Suggested pilot projects include “joint project development management and procurement, shared contracting including on commercial flights, shared detention capacity and management of detention facilities, shared consular support.” See p. 20 of European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the Delivery of the European Agenda on Migration,” COM(2017) 471 final, Brussels (September 27, 2017), https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/20170927_communication_on_the_delivery_of_the_eam_en.pdf.

⁴⁰ See European Commission, “Fact Sheet: Making Return and Readmission More Effective,” Brussels (March 2, 2017), http://europa.eu/rapid/press-release_MEMO-17-351_en.htm.

Commission are particularly important: assisted voluntary return is not only more dignified but also more cost efficient than forced return.⁴¹

Many rejected asylum seekers' unwillingness to cooperate originates partly from a shortage of legal pathways available to labor migrants. With very few legal options, some economic migrants attempt to enter the EU through the asylum system. This puts an additional burden on the system, lengthens procedures, and allows economic migrants to live in the destination country for an extended period—especially when they manage to delay the process by administrative appeals and judicial reviews.

Managing return and readmission—Toward genuine partnerships with third countries

The most severe challenge for return operations is the unwillingness to cooperate on the part of the source country. While the straightforward answer to more efficient return operations is to sign readmission agreements⁴² with those countries that are currently unwilling to cooperate on readmission, most standard readmission agreements are highly ineffective as they lack the incentive for the readmitting country to comply.

Third-country governments often do not comply with a readmission agreement if this would be against the interests of their citizens who want to emigrate or receive remittances. At the same time, governments often *sign* a readmission agreement purely in order to facilitate diplomatic ties with partner countries. The key issue is that signing a readmission agreement does not change the bargaining position of the govern-

ment as long as noncompliance does not have negative consequences.

When asymmetries are high between countries that enter into a readmission agreement and de facto only one party needs to readmit citizens back to its territory, agreements need to be embedded in frameworks that address more profound interests than only the prevention of illegal migration flows. It is exactly these so-called nonstandard readmission agreements (see box 1.1) that the EU is working toward in negotiations with Western African countries within the Partnership Framework under the European Agenda on Migration. Nevertheless, progress on returns from the EU of nationals of these partner countries has been very limited so far.⁴³

The European Stability Initiative (2017) suggests that EU readmission agreements should start from a specified date in the future and not apply to asylum seekers (and migrants in an irregular status) already in the EU. Thus the present flow of remittances to partner countries would be unaffected, which would make compliance politically easier for the country of origin. In addition, if asylum procedures in EU external border countries were sufficiently fast (to avoid both absconding and unnecessary detention of asylum seekers), this could greatly curb the incentive for irregular migration.

However, even with these mechanisms in place, the EU needs the right tools to engage in genuine partnerships that balance out the asymmetric efforts that irregular migrants' countries of origin would have to make in readmission. Below, we take a close look at

Box 1.1 Nonstandard readmission agreements

Compared with standard readmission agreements that exclusively lay down obligations, principles, and procedures related to readmission operations (e.g., the sharing of information, time limits, and transportation costs), nonstandard readmission agreements typically cover several policy areas, such as security, energy, trade, development, and counter-terrorism (Cassarino 2010). Prominent examples of such nonstandard readmission agreements are the various administrative agreements and memoranda of understanding that Italy signed with Libya during the Gaddafi era, or more recently, the EU-Turkey agreement.

Nonstandard readmission agreements have the general advantage that they do not require a lengthy ratification process and can be easily renegotiated or modified in their parts. These features allow nonstandard readmission agreements to be adapted quickly to new circumstances and shifts in contractual parties' interests (Cassarino 2010).

Yet, such flexibility may lead to continual requests for renegotiation from readmitting countries, in particular when their importance to the EU in the field of migration management and border control increases.

⁴¹ While estimates vary across EU member states, forced return operations are estimated to be four to six times costlier than assisted voluntary returns (European Migration Network 2007).

⁴² The EU currently has readmission agreements with a number of countries: Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Cape Verde, the former Yugoslav Republic of Macedonia, Georgia, Hong Kong, Macao, Moldova, Montenegro, Pakistan, Russia, Serbia, Sri Lanka, Turkey, and Ukraine. See European Commission "Return & readmission" (https://ec.europa.eu/home-affairs/what-we-do/policies/irregular-migration-return-policy/return-readmission_en); however, no EU readmission agreements are in place with the main source countries of irregular migration.

⁴³ See European Commission, "Fifth Progress Report on the Partnership Framework with third countries under the European Agenda on Migration," COM(2017) 471 final, Brussels (September 6, 2017), https://eeas.europa.eu/sites/eeas/files/20170906_fifth_progress_report_on_the_partnership_framework_with_third_countries_under_the_eam_en_0.pdf.

the possible role of conditional development aid and trade preferences for countries of origin in nonstandard readmission agreements.

(Conditional) development aid

It has been suggested in response to irregular immigration via the Mediterranean (i) that development aid be used to create economic opportunities for potential migrants and thereby reduce the incentive to emigrate; and (ii) that development aid be made conditional on cooperation with the EU in the management of migration. We discuss the potential of development aid as a long-term strategy to address the root causes of migration through the creation of job opportunities, quality education, and better services in section 3.4 of this report.⁴⁴

Regardless of the direct effects of foreign aid on incentives to emigrate, foreign aid could still serve as a bargaining chip in the negotiation of EU readmission agreements: Foreign governments should have a higher incentive to cooperate on readmission when financial support for their country is at stake. However, making aid conditional on cooperation in other policy areas such as readmission defeats its primary purpose of reducing poverty; withdrawing it would hurt the most vulnerable part of the population, rather than the government in control.⁴⁵ This argument also holds for increasing development aid with the option of later withdrawal. Therefore, conditional development assistance is not a suitable tool to enforce compliance with nonstandard readmission agreements.

Trade agreements

Another option to induce cooperation from irregular migrants' countries of origin is to cooperate with them in areas where interests are asymmetric in their favor, without explicitly targeting the poorest part of the population. Preferential trade agreements offer developing countries access to the EU single market by lowering tariffs on their exports. As the primary beneficiaries of such agreements are domestic exporters with a high potential for having political influence, preferential trade agreements could provide a strong bargaining instrument for European policy makers.

The main source countries of irregular migrants in West Africa currently have access to different arrangements under the EU's Generalised System of Preferences (GSP):⁴⁶ exports by least developed countries (e.g., The Gambia, Guinea, Mali, Senegal) are not subject to any duties or quotas in the EU under EBA (Everything but Arms), whereas Nigeria and Cote d'Ivoire only enjoy the basic GSP arrangement because of their higher per-capita incomes. Although GSP treatment is

granted unilaterally by the importing country (in our case, the EU), WTO rules require it to be granted to all similar countries under the same conditions (e.g., at least GSP for all developing countries, EBA for all least developed countries). Therefore, the EU cannot legally fine-tune its trade preferences for source countries of irregular migrants to reflect the degree to which partner countries comply with their obligations under readmission treaties at any given point in time.

The EU is also close to concluding an Economic Partnership Agreement (EPA) with 16 West African countries. The EPA provides for a free trade area comprising the 16 countries and the EU as well as for extensive development assistance. The EPA will be an international treaty whose provisions must comply with relevant WTO rules. It would hardly be legally possible (and certainly not practical) to fine-tune the treatment of partner countries' exports within the EPA to the partners' compliance with readmission obligations. As for using development assistance under the EPA as leverage, the same considerations apply as for conditional aid in general (see the previous sub-section).

While a regional EPA involving 16 countries plus the EU gives the EU little flexibility to treat partner countries differently according to their policies on readmission, we discuss in section 3.5 the case of Jordan which has a bilateral Association Agreement/free trade area with the EU. To incentivize the employment of Syrian refugees, the EU and Jordan have agreed to liberalize the rules of origin for exports "made by Syrian refugees in Jordan" to the EU. Even for this highly specific case, there remain doubts whether the difference in rules of origin will be sufficient to make it more attractive for exporters to employ more Syrian refugees—although these exporters directly benefit from the more liberal rules of origin. Clearly, it would be far more difficult use a similar tool to shift incentives for the partner country government towards complying with an unrelated obligation (readmission).

Conclusions

We have argued that there are currently two EU policy priorities in the external dimension of EU migration management to further close the backdoor and open the front door to legal migration. The first is for the EU to continue to work with member states towards higher resettlement quotas, beyond those for Syrians under the EU-Turkey agreement. Vulnerable refugees from Sub-Saharan African countries, many of whom are stuck in Libya, have profound needs for resettlement but receive little support at present from the EU or any other developed nation.

⁴⁴ See also Lanati and Thiele (2017), who argue that by focusing on support for the social sector, the approach taken by the EU within the Migration Partnership Framework may be effective in reducing migrant flows.

⁴⁵ The High Representative of the Union for Foreign Affairs and Security Policies, Federica Mogherini has stated that "there is no conditionality of aid...that would not meet our legal standards and also our basic principles" (see European Policy Centre 2017).

⁴⁶ DG Trade website: <http://ec.europa.eu/trade/policy/countries-and-regions/regions/west-africa/>.

Prioritizing certain geographical areas over others seems inevitable as long as only a fraction of those in need can actually be resettled. To ensure that, in the long run, all urgent needs for resettlement can be met, the EU should help to establish a global resettlement system for all vulnerable migrants. The EU's role in such a system, where quotas might be based on countries' shares in global GDP, would be to resettle its designated share from third countries to its member states.

The second priority lies in improving the process of returning rejected asylum seekers, while abiding by the principle of non-refoulement, to make irregular migration less attractive. Excluding Western Balkan countries, the effective return rate of third-country nationals stood at only 37 percent over the period from 2008 to 2017. In this regard, the European Border and Coast Guard will play an important role. The agency is envi-

sioned by the European Commission to have a return department that develops operational plans with specific return objectives for member states by mid-2018.⁴⁷

However, better cooperation with third countries will also be required, which can only be achieved by negotiating functioning, forward-looking readmission agreements in the context of genuine partnerships. In this regard, the EU faces a dilemma: the instruments it has at its disposal to engage in such partnerships with the main source countries are either ill suited (conditional development aid) or have already been exhausted (preferential trade agreements). In the next section, we therefore focus on the possible role of legal options for migration and employment in the EU and how these could be extended to incentivize partner countries to comply with readmission agreements.

1.3 Expanding access to the labor markets of EU member states

Authors: Mikkel Barslund, Mattia Di Salvo, Matthias Lücke, and Chiara Pizzuti

Reducing irregular immigration from Africa to the EU requires the active cooperation of African governments in securing the external EU border, eliminating people smuggling across the Mediterranean, and readmitting African citizens who fail to gain legal residence in the EU (section 1.2). At present, however, African governments run a risk of alienating their voters by helping to suppress irregular migration to Europe. From the perspective of irregular migrants and their families, irregular migration may be inferior to legal migration, but it is far preferable to no migration at all—which is the relevant alternative as long as legal migration opportunities remain seriously constrained. In this section we argue that EU member states should expand legal employment opportunities for African citizens substantially. More legal migration opportunities would constitute a highly visible benefit to African citizens and could be made conditional on effective intergovernmental cooperation to reduce irregular migration and accelerate readmission. Thus, it could become politically acceptable for African governments to cooperate effectively with the EU in reducing irregular migration.

In addition to changing the incentives for African governments, legal access to EU labor markets would make it more attractive for potential migrants to acquire the necessary language and professional skills

to gain access to formal jobs. Furthermore, over the next several decades, most EU member states will face population aging due to increases in life expectancy and low fertility levels (Barslund and von Werder 2016). Increasing the pension age is in many countries only a partial solution to the resulting pressures on social security systems. Against the background of aging, immigration may help to relieve shortages of critical skills and occupations and may dampen the rise in the dependency ratio.

In this section, we begin by reviewing the tools used by EU member states to organize immigration from third countries. More immigration will only be politically feasible in host countries if immigrants are working and able to support themselves without relying on the welfare state. EU member states use various selection mechanisms for different categories of workers to ensure that immigrants' skills match local labor market needs. Since 2010 there has been a sharp decline in EU residence permits issued to African citizens for employment purposes. We then discuss how large a legal migration program would have to be in order to shift African governments' incentives toward cooperating with the EU in reducing irregular migration. Finally, we argue that such a work-centered legal migration program should be embedded in a wider Commission-led partnership framework with African countries.

⁴⁷ See European Commission, "Fifth Progress Report on the Partnership Framework," COM(2017) 471 final (2017).

An approach resembling the Union Resettlement Framework—with voluntary participation, but support from the EU budget—is a potential road forward.

Existing immigration pathways to EU member states for third-country nationals

Fundamentally, the rules that determine how many third-country nationals are admitted for employment-related reasons are an exclusive competence of the individual EU member states (Article 79(5) of the Treaty on the Functioning of the European Union (TFEU)).⁴⁸ At the same time, several EU legislative instruments regulate the admission and residence of certain categories of third-country nationals for the purposes of employment: high-skilled workers (Directive 2009/50/EC, which creates the EU Blue Card system), researchers (Directive 2005/71/EC), intra-corporate transfers (Directive 2014/66/EU), and seasonal workers (Directive 2014/36/EU). In addition, Directive 2003/86/EC imposes minimum standards on member states regarding the right to family reunification for third-country citizens residing in the EU.⁴⁹ Thus, member states will have a key role to play when the EU puts together a comprehensive offer for expanded labor market access for African citizens in return for better border security and migration management.

Criteria for immigration by third-country nationals

Member state policies on immigration for employment typically respond to labor market needs by granting work permits to workers with scarce skills, while also protecting residents from excessive labor market competition. In this process, all EU citizens must be treated equally. Therefore, when EU member states prioritize their own citizens over third-country immigrants in access to employment, they must accord the same priority to other EU citizens (as well as certain third-country long-term residents in the EU; Robin-Olivier 2016).

Three main mechanisms have been widely implemented by EU member states to identify strong labor demand and reduce the risk of excessive competition between immigrants and resident workers. First, occupation lists indicate where labor or skills shortages exist.

They are typically compiled and updated according to market needs, at intervals ranging from six months to three years, based on information from national and regional authorities or specific policy boards, employer organizations, or trade unions. Occupations on the shortage lists vary considerably across member states with some recurring elements, such as health professionals, engineers, and ICT professionals (European Migration Network 2011).

In Germany, for example, the Federal Employment Agency (Bundesagentur für Arbeit) has determined a whitelist (“Positivliste”) of occupations with a shortage of qualified staff, such as caregivers and nursing professionals, but also plumbing, heating, and electronics technicians.⁵⁰ Non-EU nationals who hold a recognized vocational qualification in one of these occupations may work in Germany if they have a binding job offer. However, foreign vocational qualifications are often not considered equivalent to those acquired in Germany and recognition becomes a barrier.

The French occupation list includes, for each region, 30 occupations with a shortage of qualified staff.⁵¹ Since the shortage is determined on a regional basis, immigrants benefit from the facilitated procedure only if they are willing to work in a specific region. France maintains bilateral migration agreements with several Northern and Western African countries that list additional occupations not subject to the regional limitation (Panizzon 2011).⁵²

Second, many EU member states make immigration contingent on passing a ‘labor market test.’ Typically, a job vacancy can initially only be filled by an EU citizen. Only when the position has been vacant for a certain period of time can it be filled by a third-country national. This labor market test constitutes a direct, case-by-case mechanism to assess whether suitably qualified candidates are available from prioritized groups of workers. Some categories of workers may be exempt from the test when they are not perceived to be competing intensely with local workers. High-skilled workers are summarily exempted from the labor market test in EU member states such as France, Italy, the Netherlands, and Spain (European Migration Network 2011).

⁴⁸ For more on the TFEU, see <http://eur-lex.europa.eu/legal-content/IT/TXT/?uri=celex%3A12012E%2FTXT>.

⁴⁹ Directive 2009/50/EC on the conditions of entry and residence of third-country nationals for the purposes of highly qualified employment, OJ L 155/17 (18.6.2009), <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009L0050&from=EN>.

Directive 2005/71/EC on a specific procedure for admitting third-country nationals for the purposes of scientific research, OJ L 289/15 (3.1.2005), <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:289:0015:0022:EN:PDF>.

Directive 2014/66/EU on the conditions of entry and residence of third-country nationals in the framework of an intra-corporate transfer, OJ L 157/1 (27.5.2014), <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0066&from=EN>.

Directive 2014/36/EU on the conditions of entry and stay of third-country nationals for the purpose of employment as seasonal workers, OJ L 94/375 (28.3.2014), <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0036&from=EN>.

Directive 2003/86/EC on the right to family reunification, OJ L 251 (3.10.2003), <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32003L0086&from=EN>.

⁵⁰ For a complete list, see <https://www3.arbeitsagentur.de/web/wcm/idc/groups/public/documents/webdatei/mdaw/mjc5/~edispl6019022dstbai777367.pdf>.

⁵¹ Since the decision of the Council of State to annul the decree of August 2011, the preceding Decree of January 18, 2008 has been in force. The text of the decree is available on the government website: https://www.legifrance.gouv.fr/jo_pdf.do?numJO=0&dateJO=20080120&numTexte=9&pageDebut=01048&pageFin=01052.

⁵² See, for example, the bilateral agreements with Senegal (https://www.gisti.org/IMG/pdf/avenant_senegal.pdf), Cameroon (https://www.gisti.org/IMG/pdf/accord_france-cameroun.pdf), Tunisia (https://www.gisti.org/IMG/pdf/liste_metiers_tunisie.pdf), and Benin (https://www.gisti.org/IMG/pdf/16_metiers_ouverts_pour_les_Beninois.pdf).

Third, quotas are fixed numerical upper limits (expressed as actual numbers or percentages of the total labor force) for the admission of migrant workers into a country. They can be formulated as hard annual caps that cannot be exceeded or as soft targets that are more similar to policy objectives. For example, in Italy, overall limits for the admission of labor migrants are defined annually by decree ('decreto flussi') and quotas are assigned to countries of origin with which Italy has signed cooperation agreements against irregular immigration or readmission agreements (or both).⁵³

The French and Italian examples suggest that one potential channel for more legal labor migration from Africa may involve preferential treatment for labor migrants from countries that actively cooperate in counteracting irregular migration or actively cooperate in readmitting their citizens. This may consist of substantial numbers of 'reserved' entry quotas or of 'extended' occupation lists, with job applicants either receiving priority merely over other third-country citizens or even equal status with EU citizens.

While these selection criteria are characteristic of immigration policies for most categories of immigrants, there are specific provisions for two groups that involve mechanisms of wider relevance for expanding access to the EU labor market: high-skilled and seasonal workers.

High-skilled workers

The most substantive legislative developments in the EU regarding labor migration concern high-skilled workers. The notion that countries should attract the most qualified workers to enhance their international competitiveness is long-standing, but Europe is a relative newcomer to the 'global race for talent.' The United States, Australia, and Canada all adopted immigration policies specifically to attract high-skilled workers as early as the 1960s and 1970s.

Approved in 2009, the EU Blue Card is the first tool to establish more attractive entry and residence conditions for highly qualified employment at the EU level (Directive 2009/50/EC). By 2013, the Blue Card had been implemented in 25 of the 28 EU countries (Denmark, Ireland, and the United Kingdom opted out). Eligible applicants need to have higher professional qualifications, such as a university degree, and an employment contract or a binding job offer with a high enough annual gross salary—at least one and a half times the average national salary, although some

member states have set lower thresholds.

Some member states have imposed some stricter admission requirements, such as quotas, or reserved the right to reject applications for ethical reasons, in order to avoid a brain drain of critical personnel from developing countries. As a result, the directive effectively sets only minimum standards and the national versions of the EU Blue Card vary greatly, mainly in terms of salary thresholds, the qualifications required (some countries accept relevant professional experience), and the use of the labor market test.

Besides the EU Blue Card, many member states pursue their own national schemes for attracting high-skilled workers, either as separate policies for high-skilled migrants (e.g., the Netherlands, France, and Germany) or through specific provisions within wider immigration policies (e.g., Italy). The main tools to promote high-skilled migration are fast-track procedures for permits and visas, exemptions from general immigration requirements and labor market tests, information campaigns, and other incentives.⁵⁴

While some national schemes became less attractive after the approval of the Blue Card, others, such as the Dutch Highly Skilled Migrant scheme, are still widely used because they offer far more favorable conditions for companies (table 1.4). However, from the viewpoint of applicants and employers, it is hardly helpful to have parallel sets of rules for the same category of immigrants. The existence of parallel rules, in addition to restrictive admission conditions, has led to a low uptake of EU Blue Cards in almost all member states except Germany.

Therefore, the European Commission has proposed a new EU Blue Card (2016/0176 (COD))⁵⁵ that would, among other things, be available to beneficiaries of international protection, abolish parallel national schemes, and have more inclusive and flexible admission conditions (lower salary thresholds and a shorter minimum duration of the job contract) (Barslund and Busse 2017). The new proposal would also affect intra-EU mobility: First, EU Blue Card holders would be able to undertake short-term business trips without additional authorization, ending contradictory member state practices. Second, EU Blue Card holders would be able to move to another member state after 12 months of residence in the first member state (and further on, after 6 months of residence in the second member state, etc.). Moreover, unless professional qualifications are specifically regulated by member states, Blue

⁵³In 2018, quotas for seasonal employment have been assigned to nationals of Albania, Algeria, Bosnia and Herzegovina, Egypt, El Salvador, Ethiopia, the former Yugoslav Republic of Macedonia, The Gambia, Ghana, India, Ivory Coast, Japan, Kosovo, Mali, Mauritius, Moldova, Montenegro, Morocco, Niger, Nigeria, Pakistan, Philippines, Senegal, Serbia, South Korea, Sri Lanka, Sudan, Tunisia, and Ukraine (text: http://www.interno.gov.it/sites/default/files/circolare_decreto_flussi_2018.pdf).

⁵⁴See European Commission, Communication from the Commission to the European Parliament and the Council on the implementation of Directive 2009/50/EC on the conditions of entry and residence of third-country nationals for the purpose of highly qualified employment ('EU Blue Card'), COM(2014) 287 final, Brussels (May 22, 2014).

⁵⁵See European Commission, Proposal for a Directive of the European Parliament and of the Council on the conditions for the entry and residence of third-country nationals for the purposes of highly skilled employment, COM(2016) 378 final, 2016/0176(COD), Strasbourg (June 7, 2016), <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016PC0378&from=EN>.

Table 1.4 First residence permits issued to high-skilled workers through the EU Blue Card scheme or national programs in selected EU countries

	EU Blue Card					National channels	
	Fee (€)	Salary threshold (€)	Validity period (years)	Labor market test	No. of Blue Cards issued	Special programs or provisions for high-skilled workers	No. of first residence permits issued
France	260	53,331	3	No	506	Talent passport	2,221
Germany	110	49,600	4	No	6,189	Settlement/residence permits for high-skilled workers	11
Italy	274	24,789	2	Yes	254	High-skilled workers fall outside the quota system and are exempted from undergoing the labor market test	709
The Netherlands	881	64,385	4	No	42	Highly Skilled Migrant scheme	9,084
Poland	111	15,446	2	Yes	673	n.a.	1,184
Spain	418	33,908	1	Yes	10	High-skilled workers are exempted from undergoing the labor market test	3,211
Sweden	218	61,600	2	No	10	n.a.	5,288
United Kingdom	n.a.	n.a.	n.a.	n.a.	n.a.	Tier 1 (points-based system)	1,245

Source: Own elaboration based on the EU Blue Card website of the European Commission and national government websites. Data on the number of Blue Cards issued, as well as on other first residence permits for high-skilled workers, have been retrieved from Eurostat (2016).

Note: n.a. = not applicable.

Card holders would need to have their qualifications recognized only by the first member state.

The EU Blue Card or similar schemes may be attractive for some highly qualified immigrants, but with their demanding requirements, they are unlikely to become an important entry channel for many additional migrants from Africa. Because of the risk of a brain drain from Africa to the EU, such programs also give the EU little leverage as it seeks the cooperation of African governments to reduce irregular migration. The limited uptake of such programs, overall, provides important lessons for the design of policies for more regular migration from Africa to Europe: in order to generate numerically large migrant flows, education and skill requirements need to be set at modest levels that are within the reach of many African citizens, but also ensure a realistic prospect for employment and economic self-sufficiency in the EU.

Furthermore, it is worth exploring how the freedom of movement within the EU for the purpose of employment can be extended to (not high-skilled) immigrants.

Recent immigrants are typically more flexible than residents about moving house to search for work (Schündeln 2014; Cadena and Kovak 2016; Braun and Kvasnicka 2014). It may be useful to harness that flexibility to accelerate immigrants' labor market integration and labor market adjustment.

Seasonal workers

Most special programs for the immigration of low-skilled workers include a strong element of temporality—often in response to labor shortages in specific sectors or at certain times of the year (for example, seasonal work in agriculture). While the work itself may not be permanent, it recurs annually, leading to circular migration as the same individuals repeatedly take up similar jobs and any selection mechanisms give preferential access to those with previous experience of the program and a clean record of observing the associated visa and other regulations.

In recent policy debates in the EU, circular migration has been presented as a 'triple win' situation: the host

Table 1.5 National programs and schemes for seasonal workers in selected EU countries

	Seasonal workers			
	Sectors	Validity periods	Countries of origin	No. of first residence permits (2016)
France	Mainly agricultural sector	Max. 6 months within a consecutive 12-month period	Specific schemes exist for migrants whose country of origin signed a bilateral agreement with France	1,651
Germany	Agricultural sector; hospitality and food services; fruit and vegetable processing; sawmills; fairs	Max. 6 months (9 months for people working in fairs) within a year	A bilateral agreement must have been concluded with the migrant's country of origin (currently only Croatia)	0
Italy	Agricultural sector; hospitality and food services	Max. 9 months	Quotas are fixed annually and assigned to countries that have signed bilateral agreements with Italy	3,520
The Netherlands	Agricultural sector; catering industry; tourism; other	Max. 24 weeks	n.a.	0
Poland	Short-term permit: all sectors, except that covered by a seasonal permit; Seasonal permit: agricultural sector, horticulture, fisheries; hospitality and food services	Short-term permit: max. 6 months within a year; Seasonal permit (since 2018): max. 8 months within a year	Short-term permits are applicable only to nationals from Armenia, Belarus, Georgia, Moldova, Russia, and Ukraine	446,779
Spain	Agricultural sector	Max. 9 months within a year	Preference should be assigned to countries that have signed bilateral agreements (Law No. 14/2003, Article 39); however, the final decision on where to hire from is left to the employers	2,841
Sweden	No specific scheme for seasonal workers—general rules apply; some specific requirements are applied to berry pickers			3,309
United Kingdom	No specific scheme for seasonal workers—general rules apply; the Seasonal Agricultural Workers Scheme was closed at the end of 2013			0

Source: Own elaboration based on Eurostat data (http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=migr_resocc&lang=en).

Note: n.a. = not applicable.

country fills a labor supply gap but faces few integration costs (short-term migrants typically come without their families—either because family members do not receive visas or because the cost of living in the destination country is higher than at home). Migrants earn higher incomes than at home and learn new skills—even though their wages and working conditions may be inferior to what local workers would be willing to

put up with (a typical justification of seasonal work programs is that it would be impossible to find enough local workers to get the work done in the limited time available). The country of origin benefits from remittances and the new skills of returning migrants (European Migration Network 2011).

As of 2016, first residence permits for seasonal work were issued by only a few EU member states (mainly

Poland, Italy, Spain, France, Sweden, and Norway; see table 1.5).⁵⁶ The number of seasonal workers in Poland is particularly high because the program covers various temporary work visas, often renewable, for Eastern European citizens, especially Ukrainians.

The existence of a hassle-free, legal scheme for seasonal immigration weakens the strong incentives that would otherwise exist to fill these jobs with irregular immigrants, assuming that local workers cannot be found at prevailing wages and conditions of work. Nevertheless, there are cases, like the Italian one, where the way in which the directive has been transposed in national legislation and implemented has hampered its effectiveness. The Italian yearly decree (decreto flussi) establishing the number of (seasonal and not) permits for third-country nationals should be made available to employers in November of the previous year, so to facilitate their planning for the following year. Permits should then be issued within 20 days after the employer's request. However, the Italian decree is often published with significant delays and it takes months (instead of 20 days) to issue the permit. In 2016, for instance, only 18,000 of the 30,000 permits foreseen by Italian authorities for that year were issued, in spite of the 44,000 requests presented by employers.⁵⁷ These bureaucratic and procedural failures thus diminish incentives for employers to hire legally, especially given the high number of irregular migrants arriving in southern Italy, which relies heavily on agriculture and tourism.

Action is needed to address any kind of limitation as such that might exist in other member states in order to lessen the likelihood of irregularity and thus exploitation. Irregular immigration often involves risks for workers, including exploitative wages and working conditions. At the same time, if the supply of potential seasonal workers is large, immigrants may remain in a relatively weak position in terms of their employment and social rights as they face difficulties in changing employers at short notice and can be replaced in the following season (De Somer 2012).

At the EU level, the recent EU Seasonal Workers Directive (2014/36/EU) defines conditions of entry and stay of third-country nationals for the purpose of employment as seasonal workers.⁵⁸ The directive aims at harmonizing admission rules, preventing exploitation, and reducing irregular migration including the overstaying of visas. Circularity is encouraged through a simplified re-entry procedure for future stays.

Seasonal migration programs work best when the work is by nature temporary and requires little training; the prospect of facilitated future stays in the destination country provides an incentive to comply with program rules; and relatively short stays make potential separation from family members acceptable. In some sectors (e.g., caregiving at home), circular mobility patterns have emerged within the EU that may also be suitable for immigrants from third countries, including Africa.

Labor migration from Africa to the EU

A future expansion of labor market access for African citizens in the EU would come about as an incremental change to existing migrant flows and build upon the existing networks of African immigrants in the EU. Currently, 8.6 million African-born individuals live in the EU-28,⁵⁹ corresponding to 17 percent of all foreign-born individuals (including those born in another EU member state) and 1.7 percent of the EU-28 resident population. In this section, we review the present pattern of immigration to the EU from Africa.

Overall, in 2016, about 3.4 million first residence permits were issued in the EU-28 to nationals of third countries, of which around 14 percent went to citizens of African countries (471,000). Of these, less than 8 percent were for employment, whereas more than 42 percent were for family reasons, 16 percent for education, and the remainder (34 percent) mainly for international protection and humanitarian motives. Immigration for employment from Africa is low except for a few Northern African countries (mostly Morocco; see table 1.6).

Table 1.6 First residence permits issued for remunerated activities, EU-28, 2016

	EU-28 permits issued (persons)
Ukraine	487,181
India	56,839
United States	41,465
China	19,628
North Africa	18,656
Rest of Africa	17,489

Source: Own elaboration based on Eurostat data (http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=migr_resfirst&lang=en).

⁵⁶ Figures on seasonal permits are available only for those countries that have already transposed the Seasonal Workers Directive in their national legislation. Otherwise, figures on seasonal permits are included in the category 'other remunerative activities.'

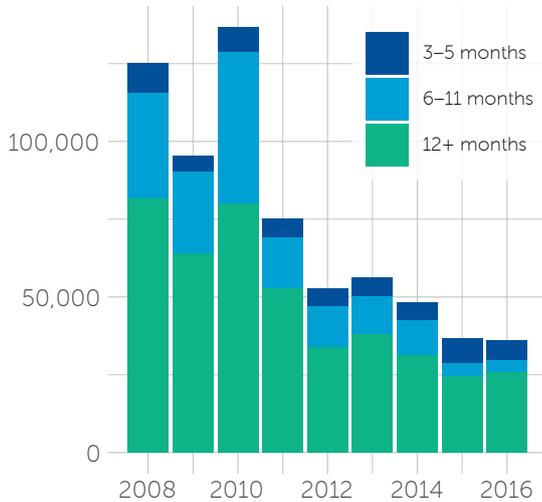
⁵⁷ F. De Ponte and R. Zanotti, "Decreto flussi, ecco i dati del flop. Permesso solo a un richiedente su tre," *La Stampa* (July 19, 2017), <http://www.lastampa.it/2017/07/19/italia/cronache/decreto-flussi-ecco-i-dati-del-flop-permesso-solo-a-un-richiedente-su-tre-s7LjRg6zfe4ewm7M18VyN/pagina.html>.

⁵⁸ Due to the absence of a common definition for seasonal workers, this category includes "all third-country nationals, who retain their legal domicile in a third country but reside temporarily for the purposes of employment in the territory of a Member State in a sector of activity dependent on the passing of the seasons, under one or more fixed-term work contracts concluded directly between the third-country national and the employer established in a Member State" (see Eurostat, http://ec.europa.eu/eurostat/cache/metadata/Annexes/migr_res_esms_an5.pdf).

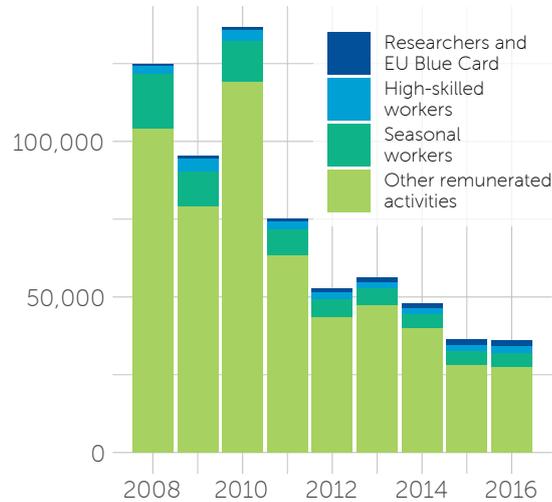
⁵⁹ See Eurostat, http://ec.europa.eu/eurostat/statistics-explained/index.php?title=People_in_the_EU_%E2%80%93_statistics_on_origin_of_residents&ol-did=380612.

Figure 1.3 First-time permits for employment reasons issued to African citizens by the EU-28

a. Breakdown by length of validity



b. Breakdown by type of occupation



Source: Own elaboration based on Eurostat.

Note: Figures on seasonal permits are available only for those countries that have already transposed the Seasonal Workers Directive in their national legislation. Otherwise, figures on seasonal permits are included in the category ‘other remunerative activities.’

The low number of first residence permits for employment issued to African citizens in 2016 (36,145) marks the end point of a sharp decline since 2010 when EU member states issued more than 140,000 permits (figure 1.3). Even more significant is the relative decline of the share of total EU permits for employment reasons directed to African citizens, which dropped from 17 percent in 2010 to just 4 percent in 2016. During the same period, the number of irregular immigrants crossing the Central and Western Mediterranean went from 9,453 in 2010 to 142,105 in 2017 (see section 1.2). Looking at the length of validity (figure 1.3, panel a), the absolute decrease is equally distributed between permits with durations of 6 to 11 months (i.e., seasonality-type permits) and those for more than 12 months (panel a). The breakdown by type of occupation (figure 1.3, panel b) shows that permits issued to seasonal workers decreased significantly to only 4,435 in 2016. The main part of the decrease in work permits stems from the category ‘other numerated activities’ for durations of between 6 and 11 months.

Of the first residence permits issued to African citizens for employment in 2016, 12 percent each went to high-skilled and seasonal workers and 76 percent to all others, including low- and medium-skilled employees as well as self-employed people (table 1.7). Huge differences exist across African countries. Northern Africa accounted for more than half of all permits and those for high-skilled migrants, as well as for nearly all seasonal workers. Within Northern Africa, Morocco alone accounted for 29 percent of all first permits and 85 percent of first permits for seasonal workers. Out-

side this region, South Africa and Senegal are among the top five individual countries for the number of first residence permits for employment.

Among EU member states, most permits overall were issued by Spain, France, and the United Kingdom (table 1.8). Some member states attracted predominantly high-skilled workers, including the Netherlands (64.6 percent), Ireland (64.3 percent), and Denmark (56.4 percent). All other member states issued more than half of all permits to ‘other’ workers. Most seasonal permits were issued by Spain, France, and Italy, even though Spain and Italy have decreased significantly the number of seasonal permits since 2012.

Options to expand legal migration opportunities from Africa to Europe

In terms of these migrant flows, a reduction in irregular migration to the EU would imply a lower number of first residence permits for humanitarian and similar reasons (approximately 160,000 in 2016) because many of these immigrants first entered the EU irregularly. An expansion of regular labor market access would be reflected by a higher number of residence permits for employment-related reasons (approximately 36,000 in 2016). The details of a comprehensive offer for expanded labor market access in the EU would have to be negotiated by the European Commission and the member states. That said, for such an offer to make a difference in convincing African governments to participate in better migration management, it would be reasonable as a first step to aim for 100,000 additional first-time work visas

Table 1.7 First residence permits issued for remunerated activities by reason and region, EU-28, 2016

	Total		Skill composition					
			High-skilled		Seasonal		Other	
	persons	% of all Africa	persons	% of total	persons	% of total	persons	% of total
Northern Africa	18,656	51.6	2,190	11.7	4,194	22.5	12,272	65.8
of which:								
Morocco	10,318	28.5	272	2.6	3,780	36.6	6,266	60.7
Egypt	3,342	9.2	815	24.4	147	4.4	2,380	71.2
Tunisia	3,069	8.5	522	17.0	262	8.5	2,286	74.5
Central Africa	1,296	3.6	207	16.0	28	2.2	1,061	81.9
Eastern Africa	2,509	6.9	420	16.7	38	1.5	2,051	81.7
Western Africa	8,645	23.9	575	6.7	169	2.0	7,901	91.4
of which:								
Senegal	2,323	6.4	78	3.4	43	1.9	2,202	94.8
Southern Africa	5,039	13.9	882	17.5	8	0.2	4,149	82.3
of which:								
South Africa	4,023	11.1	719	17.9	5	0.1	3,299	82.0
All Africa	36,145	100.0	4,274	11.8	4,437	12.3	27,434	75.9

Source: Own elaboration based on Eurostat data (http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=migr_resocc&lang=en).

Table 1.8 Top EU destination countries: First residence permits issued for remunerated activities to citizens of African countries by reason, 2016

	Total	High-skilled		Seasonal		Other	
	persons	persons	% of total	persons	% of total	persons	% of total
Spain	10,152	328	3.2	2,198	21.7	7,626	75.1
France	9,543	1,135	11.9	1,481	15.5	6,927	72.6
United Kingdom	6,188	125	2.0	0	0.0	6,063	98.0
Italy	1,922	65	3.4	736	38.3	1,121	58.3
Germany	1,746	583	33.4	0	0.0	1,163	66.6
The Netherlands	1,144	739	64.6	0	0.0	405	35.4
Other	5,450	1,299	23.8	22	0.4	4,129	75.8
EU-28	36,145	4,274	11.8	4,437	12.3	27,434	75.9

Source: Own elaboration based on Eurostat data (http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=migr_resocc&lang=en).

Box 1.2 Lessons from Germany's special program for immigration from the Western Balkans

The special provisions in Germany for labor migrants from the Western Balkans (“Westbalkanregelung;” Brücker and Burkert 2017) provide important lessons on how regular migration opportunities may be extended beyond traditional beneficiaries and how, as part of a comprehensive package that includes the accelerated return of failed asylum applicants, regular immigration opportunities are replacing irregular immigration. Since 2016, Germany has extended work visas to approximately 20,000 individuals per year from the Western Balkan states of Albania, Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, Montenegro, and Serbia. Applicants need a binding job offer or signed employment contract and have to pass several labor market tests. They cannot have received asylum seeker benefits in the 24 months preceding their application, which generates an incentive not to file frivolous applications for asylum (which most Western Balkan citizens could easily do because they can travel to the EU visa-free).

Approximately one in two visas is granted for unskilled jobs (Brücker and Burkert 2017); thus, in the absence of this special program, these immigrants could not legally have entered Germany. For medium- and high-skilled jobs, the requirements are also more stringent than under regular procedures. While there

are complaints about excessive bureaucracy and long delays, labor market tests are no insurmountable barrier for many applicants because there is nearly full employment with high labor demand in some key German regions. About half the beneficiaries work in the construction industry, with significant numbers also in hotels and restaurants.

While such access to the labor market can be expanded relatively easily, this program only started in 2016 and no systematic evaluation is possible yet regarding the long-term earnings prospects and fiscal impact of immigrants who may, after all, secure a short-term job but may lack the skills and flexibility to adjust to inevitable structural change later on. Some additional requirements, such as basic language skills, could help to address this concern. Reportedly, there is also a lack of administrative capacity to apply some of the labor market tests and ensure that wages and working conditions remain consistently on par with local workers. Compared with other immigration channels, the special provisions for Western Balkan citizens may be relatively successful largely because they do not require professional qualifications to be certified as equivalent to German standards; rather, workers may be employed in line with their skills as they prove them through daily work practice.

for African citizens per year—while expecting, in return, a sizable reduction in the number of irregular arrivals from Africa leading to de facto residence in Europe (see section 1.2). Such an increase is indeed feasible as it would bring the number of first-time permits back to the level of that in 2010, when around 130,000 first-time permits were issued to Africans.

A large increase in the number of work permits issued will not be achieved overnight, given constraints in the absorption capacity of EU labor markets, in the skill base of potential African migrants, and in administrative capacity to issue and monitor a large number of additional work visas. The proposed expansion of labor market access will require the active participation of many member states, the use of different programs targeting a wide range of workers, and a large effort to improve the skill base of potential African migrants with a view toward employment opportunities in both Africa and the EU.

An EU-Africa skill partnership approach

A viable partnership on labor migration with African countries must generate benefits for countries of origin in the short as well as the long term. Avoiding brain drain is important for long-term sustainability and development in Africa. Providing training in host countries prior to departure helps to achieve this objective. A skill partnership⁶⁰ model—resembling ideas proposed by Clemens (2015; 2017)—whereby initial training takes place in the country of origin prior to migration is a promising way forward. An implicit aim of the skill partnership approach is to train more people than would eventually get a job in the EU in order to increase human capital in the countries of origin.⁶¹ Countries of origin would benefit not only from enhanced human capital—through a net increase in the number of people trained—but also from more training facilities.

The European Commission's 2004 green paper discussing a common EU approach to economic migration contained similar thoughts.⁶² In order to

⁶⁰ The importance of partnership in skills development and their recognition is acknowledged also under objective 18 of the UN zero draft of the Global Compact for safe, orderly, and regular migration.

⁶¹ As Stark and Wang (2002) argue, people are more willing to invest in human capital once they can be rewarded for their skills through migration.

⁶² European Commission, “Green Paper on an EU approach to managing economic migration,” COM(2004) 811 final, Brussels (November 1, 2005), <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A52004DC0811>.

strengthen cooperation on migration management, the green paper underlines the importance of, on one side, considering origin countries' interests and potential losses due to migration, and, on the other side, enhancing the economic integration of migrants at destination, as well as upon return for those migrating temporarily. Establishment of recruitment and training centers in countries of origin together with compensation for the educational costs for migrants directed to the EU were listed among the possible accompanying measures (to the EU approach to economic migration) focused on integration, return, and cooperation with third countries.

Defining training programs fitting both origin countries and different labor markets in the EU is no trivial task. A flexible approach, where core training is conducted in the country of origin, with training programs tailored to origin-country specific skills, combined with host-country specific training after an employment agreement has been signed, is necessary. Organizing this on the ground will take time and require mutual learning on all sides; therefore, both a long-term perspective and commitment from the EU and African countries are needed.

Within the skill partnership there is also scope for facilitating return migration after working for a period in Europe. The return of skilled individuals with work experience and training from Europe could be a potentially effective tool for development (Panizzon 2010; Sáez 2013; Dayton-Johnson et al. 2007). Those who after some time want to return could be aided in their search for employment (Newland et al. 2008) as well as economically by being paid back social security contributions and taxes related to pensions, health, and long-term care (Ruhs 2013; Holzmann et al. 2005). For instance, this is possible in some bilateral social security agreements like the one between Germany and Turkey: Turkish citizens returning to Turkey can choose to receive their pension benefits in the form of lump-sum payments by opting out of the German pension system. EU countries could conclude (or strengthen existing) bilateral social security agreements with the main countries of origin, focusing on the portability of pension benefits to (i) tackle distortions such as double coverage and missed totalization of periods of contribution and (ii) give the opportunity to receive these benefits in the form of lump-sum payments upon return. In many—if not all—EU countries such an amount would be significant, even for relatively low-paid positions.

The case for EU coordination

As we have argued in this chapter, irregular migration from Africa concerns all EU countries. This provides a case for coordinating and financing a skill partnership program at the EU level. Furthermore, there is the issue

of scale. Arguably, only few, if any, EU member states are able to offer a long-term partnership with several African countries. Hence, partnership agreements and an associated opening of legal pathways for work-related migration can usefully be coordinated at the EU level.

However, since access for third-country nationals to member states' labor markets is a national competence, and member states already have in place systems to gage labor shortages, cooperation should be built on the existing core legal basis; expanding work-related residence permits to African countries will remain a national competence and participation in coordinating activities voluntary.

Practical implementation may follow a model where member states offer a certain number of work permits for a given period and then leave it to the Commission to select the countries and agencies providing education and training facilities in partnership countries. Implementation could also be left to member states with only financing provided by the Commission. This is akin to the approach pursued in the pilot projects on labor migration that the Commission is undertaking with member states. Recruitment could be aided by the Commission (in the form of organizing job fairs) but would otherwise be left to member states.

A possible template for such cooperation is the proposed resettlement framework regulation (see section 1.2).⁶³ Resettlement of refugees from third countries is another area where member states hold exclusive competence. In particular, it includes the elements of voluntary participation at the member state level and central financing from the EU budget.

The voluntary principle would ensure that member states keep control of immigration from third countries and also cater to the large asymmetries of EU labor markets. Some countries may opt out initially due to high unemployment levels. Central financing of initial training in the country of origin, relocation costs, and language training in the host country as well as of recruitment channels would ensure burden sharing as part of the task of managing irregular migration. It would also induce member states to participate because there should be few additional costs to their taxpayers: immigrants who work provide for themselves. Furthermore, the Commission is well placed to liaise with social partners and other stakeholders and to gather information about program performance in the different member states and participating third countries. This applies not least to making sure that training programs are useful for labor markets in third countries. The Commission would also take an EU-wide perspective on which countries to target with such a program. Such a setup would additionally allow for gradual implementation and could accommodate a sectoral approach where certain shortage sectors are targeted (Triandafyllidou 2017).

⁶³ See the Proposal for Regulation of the European Parliament and of the Council establishing a Union Resettlement Framework and amending Regulation (EU) No. 516/2014 of the European Parliament and the Council, COM(2016) 468 final, Brussels (July 13, 2016).

2. Drivers of immigration policy: Popular attitudes and successful immigrant integration

We have argued above (section 1.3) that the EU will find it easier to curb irregular immigration if member states join together to offer more opportunities for regular migration to Europe, especially from Africa. Similarly, the EU's contribution to protecting refugees worldwide should not be limited to financial support for low- and middle-income host countries; a key element should be an offer to resettle a substantial number of vulnerable refugees from low- and middle-income host countries to the EU (MEDAM 2017, 30). Both work visas and resettlement are national competences of EU member states.

Therefore, in this chapter, we explore several important drivers of the stance of national immigration policies. Although well-managed immigration would generate demonstrable benefits for countries of destination as well as for immigrants and countries of origin—not least because of aging populations in EU member states—popular attitudes toward immigrants and immigration have on the whole become more skeptical in recent years. In Western European democracies, a consistent trend in popular attitudes is typically picked up sooner or later by political parties and ultimately finds its way into government policies.

Survey evidence suggests that many individuals who are skeptical about immigration are less concerned about the possible economic impact on their own families, than about the economic and social welfare of their wider peer group and about the social cohesion of their societies (MEDAM 2017, 54). At first sight, this observation might suggest that policies that actively promote the cultural assimilation of immigrants offer the best chance of maintaining social cohesion and making future immigration acceptable to residents. However, if many immigrants were asked to deny important aspects of their cultural identity, this might precisely lead to alienation and segregation. In section 2.1, we therefore explore different dimensions of social integration and its links with immigrants' economic performance. Against this background, we discuss ways to maintain social cohesion in the face of benign diversity.

Attitudes toward immigration and immigrants have also been negatively affected by highly publicized crimes perpetrated by immigrants, as well as subsequent debates in traditional and new media. In section 2.2, we explore how events that reduce people's sense

of personal security affect their attitudes toward immigration and immigrants. We discuss how traditional as well as new media can resist a style of debate that indiscriminately and inaccurately portrays a whole 'out-group' as violent.

The spatial distribution of immigrants interacts with the economic and social integration of immigrants, although there are competing effects. All over the world, migrants have always sought to live in proximity to other migrants from the same country or region of origin. The numerous 'Chinatowns' in major cities around the world are only one prominent example. Apart from providing social amenities in the form of a shared language and culture, immigrants also tend to find work more quickly through such networks.

On the other hand, incentives to integrate socially and access economic opportunities beyond the immigrant network may be reduced if immigrants can have segregated, but fulfilling lives without ever learning the local language—especially if immigrant communities are large or the local language is very different from the native language. In section 2.3, we explore these regional dimensions of immigrant integration and ethnic diversity, and discuss the role of policy interventions, particularly to promote the acquisition of the local language.

In several EU member states, the recent arrival of a large number of refugees and the subsequent increase in government spending for their subsistence and integration have renewed the debate about the direction and size of the macroeconomic effects of immigration. While a large body of literature concludes that the impact on wages and unemployment as well as on taxes and benefits is typically 'small,' recent studies have identified several additional effects that might change this picture (and thus affect popular attitudes toward immigration).

In section 2.4, we use an innovative macroeconomic simulation model with a search-and-matching module for the labor market to assess the possible impact of the recent inflow of recognized refugees into the German labor market. We implement a rich labor market structure by distinguishing between native workers, incumbent immigrants, and recent arrivals, as well as between low-skilled and high-skilled workers within each group. We account for price and aggregate demand effects and simulate changes in the unemployment rate and after-tax income for native workers and incumbent immigrants.

2.1 Beyond economics: Multiple dimensions of social integration and social cohesion

Lead authors: Nadzeya Laurentsyeva and Afaf Rahim

While the integration of immigrants is not a new public concern, it has become a more pressing issue following the recent increase in the number of immigrants in the EU as well as changes in immigrants' ethnic composition. A number of studies, using various data sources, have documented the challenges of immigrants' economic integration.¹ At the same time, concerns have been voiced about the difficulties of immigrants' social integration, particularly of immigrants who originate from culturally distant countries. As the existing evidence shows, noneconomic considerations related to culture, social cohesion, and identity matter greatly for the well-being of immigrants themselves as well as for the public acceptance of immigration.² These concerns are mostly driven by the idea that cultural values and traits shape preferences and economic choices, and they are deeply ingrained and persist over generations. For instance, cultural persistence has been found to matter for political attitudes, gender values, family ties, and social trust.³

Along these lines, there are at least three major concerns related to immigrants' lack of social integration. First, *immigrants might retain norms and beliefs that deviate from what is generally accepted by the native population.* This can lead to 'culture clashes,' which make the distinction between 'us' and 'them' more salient and, thus, negatively affect attitudes toward immigrants and immigration in general. In addition, the retention of original cultural values and norms by immigrants might be economically suboptimal in the realities of the host country (e.g., a low level of economic participation by immigrant women). Second, *by increasing diversity in society, immigration might hamper social cohesion.* The higher the level of diversity is, the more people are exposed to 'others'—with whom they cannot identify—and this can result in overall fewer social connections, a lower level of generalized trust, and a lack of cooperation and solidarity within society (see, for instance, Putnam 2007). Consequently, weaker social cohesion complicates the proper functioning of the welfare state—by lowering tax contributions and the provision of public goods—and can

negatively affect the productivity of firms, especially of those relying on team work (Alesina and La Ferrara 2000, 2005; Lyons 2017). Third, *immigrants might continue to be more emotionally attached to their original countries and not identify themselves fully with the host society.* If immigrants do not feel they belong to (and are accepted by) the host society, their incentives to invest in country-specific skills, such as language or social capital, are low, which further reinforces their segregation and worsens economic outcomes. They will also have lower incentives to care about the host society and, hence, be less actively engaged in political and social life, which in turn might make them less keen in complying with the norms, laws, and expectations of the host country.

The presence of the above concerns makes the social integration of immigrants a policy-relevant issue. However, what does it mean for immigrants to be socially integrated in the first place? What objective and relevant measures can serve to monitor the progress (or to affirm the failure) of social integration? What are the links between economic and social integration and what policies can improve the social integration of immigrants? Policy makers face these questions when formulating and implementing integration policies. In this section, we synthesize the results of academic literature and present our own analysis to feed into the policy debate on immigrants' social integration.

Social integration: Definition and measurement

While immigrants' economic integration is relatively straightforward to measure, for example, by comparing the employment rates or wages of immigrants with those of the native population, social integration represents a more complex normative concept, which has implications for defining what constitutes successful social integration and for measuring it.

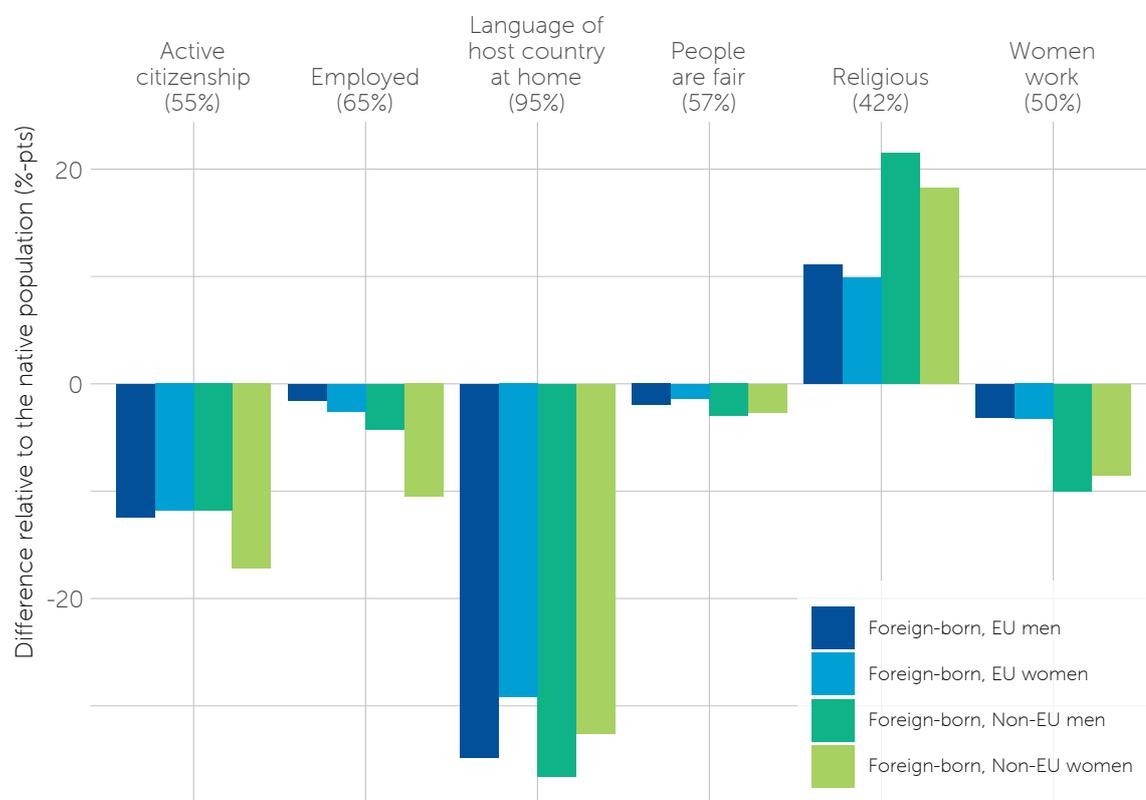
According to the EU's Common Basic Principles for Immigrant Integration Policy of 2004, immigrants' integration represents "a dynamic, two-way process of mutual accommodation by all immigrants and

¹ See for instance, Tanay et al. (2016) and MEDAM (2017) for the EU, Irastorza and Bevelander (2017) for Sweden, Brücker et al. (2016) for Germany, Clausen et al. (2009) and Schultz-Nielsen (2017) for Denmark, and Sarvimäki (2017) for Finland.

² See Card et al. (2012), Dustmann and Preston (2004), Hainmueller et al. (2017), and Mayda (2006).

³ See Alesina and Giuliano (2011), Bartos and Lively (2017), Blau et al. (2011) and Fernandez and Fogli (2005).

Figure 2.1 Differences in economic and social outcomes between first-generation immigrants and the native population in the EU-15



Source: Own calculations based on the European Social Survey, waves 2002–16.

Note: The sample includes respondents between ages 20 and 65 who live in an EU-15 country, both foreign-born and born in the current country of residence. The numbers in parenthesis below column headings show the mean values of outcomes for the whole sample. The bars in the graphs correspond to the regression coefficients for dummies: Foreign-born EU men, Foreign-born EU women, Foreign-born non-EU men, and Foreign-born non-EU women. Reference group: native individuals of the same gender and age group, from the same country of residence and interview year. Clustered standard errors at the country of residence*year level. Statistically significant coefficients (90 percent confidence interval) are labeled.

Variables: Employed = the respondent is currently employed; Language of host country at home = the respondent uses the main host-country language at home; Active citizenship = during the last 12 months the respondent took part in at least one of the activities specified (contacting a politician, national government, or local government official; being a member of any political party; working in a nongovernmental organization or association; wearing a campaign badge/sticker; signing a petition; taking part in a lawful public demonstration; or boycotting certain products); Religious = the respondent considers him- or herself to be religious; Women work = the respondent disagrees with the following statement "Women should be prepared to cut down on paid work for the sake of family;" People are fair = the respondent agrees with the following statement "Most people are fair."

residents of Member States.”⁴ In this way, immigrants can be considered socially integrated if two conditions are met: first, immigrants perceive themselves as equal members of the host society and act accordingly; and second, the native population accepts immigrants as equal members of society and is willing to interact with them. Such perceptions of belonging to society (by immigrants) and acceptance (by the native population) can be manifested by ‘barrier-free’ interaction between immigrants and the native population, by a high degree of interethnic trust, by immigrants’ respect of laws, values, and social norms, or by equal social and political engagement. In order to measure how well immigrants are socially inte-

grated in the host country, depending on the purpose and context of the study, researchers have considered different dimensions of social integration and employed various indicators: demographic (marriage decisions, fertility), cultural (language, self-identification, gender values, religiosity), or societal ones (political and social engagement, social inclusion, i.e., settlement patterns or participation in social activities). To evaluate whether immigrants are well integrated, it is common to compare the outcomes of immigrants with those of the native population and to interpret the differences as indicators of poor integration.

To quantify the social integration of immigrants in EU member states, we use microdata from the

⁴ For the full list of Principles see Council of the European Union, 2618th Council Meeting of the Justice and Home Affairs Committee, Press Release No. 14615/04, Brussels (November 19, 2004), http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/jha/82745.pdf.

European Social Survey.⁵ We focus on cultural and societal dimensions of integration: usage of the host-country language at home, gender and religious values, social trust, and active citizenship. For comparison, we also look at the economic integration of immigrants measured by their employment rate relative to the native population. Figure 2.1 presents the results of the analysis.

Figure 2.1 shows that, even when controlling for gender, skill level, and age group, first-generation immigrants differ in their economic and social outcomes from the native population. The extent and concentration of these differences, however, vary across outcomes. While the employment gap is present only for non-EU immigrants, all immigrants, on average, lag behind the native population in terms of the

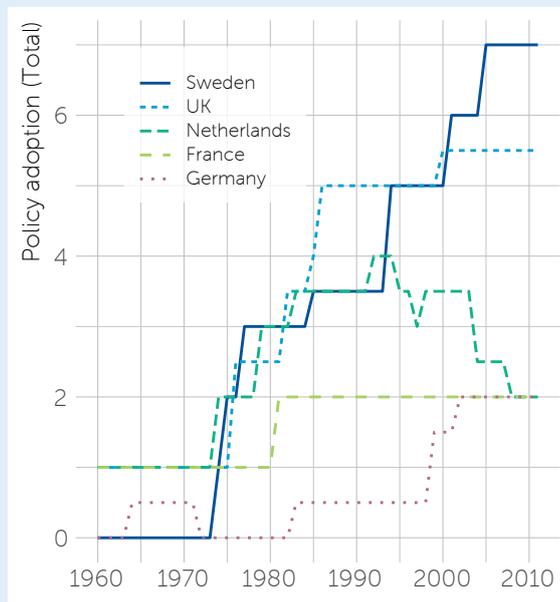
Box 2.1 Multiculturalism retreat: Rhetoric or reality?

Since the rise of terrorism in the early 2000s, multiculturalism has frequently been criticized by leading Western politicians, suggesting that it has retreated as a policy option for integrating immigrants. National identity, national values, and social cohesion have become the overriding priorities of public policies in many European countries (Migration Policy Institute 2012). But what is multiculturalism and is there indeed evidence of its retreat? In a descriptive sense, multiculturalism refers to policies that favor ethnic, racial, and religious diversity (i.e., the coexistence of several cultural or ethnic groups) in society. In a normative sense, multiculturalism refers to an ideology that values cultural diversity and calls for equal recognition of different cultural groups.^a Multicultural integration policies thus go beyond the basic civil and political rights guaranteed to all individuals in liberal democratic states to extending rights for immigrants and minorities to express their distinct identities and practices.

The Multiculturalism Policy Index (MPI), developed by researchers from Queens University in Canada, offers a possibility to systematically study the dynamics of integration policies adopted by 21 developed countries throughout 1960–2011. The index covers eight different multicultural policies: legislative affirmation, adoption of multiculturalism in the school curriculum, media representation, dress code exemptions, dual citizenship, supporting ethnic groups’ organizations, supporting bilingual education, and affirmative action for disadvantaged migrant groups. Figure B2.1.1 shows the MPI time series for five European countries: Sweden, the United Kingdom, the Netherlands, France, and Germany. In the 1970s, the MPI increased for the Netherlands, Sweden, and the United Kingdom, while it remained relatively low for France and Germany. In the 2000s, while Germany and France started to adopt more multicultural policies, the reverse happened in

the Netherlands. Hence, except for the Dutch case, figure B2.1.1 does not provide strong evidence of a retreat of multiculturalism. Despite salient rhetoric by opponents of multiculturalism, it seems that most European countries continued to adopt multicultural policies. One possible explanation for this relates to the overlap between multiculturalism and civic integration. The latter focuses on harnessing basic civil and political (rather than cultural) rights and values (see Banting and Kymlicka 2013; Duyvendak et al. 2013).

Figure B 2.1.1 Adoption of multicultural policies over time



Source: Reproduced using the Multiculturalism Policy Index (MPI) (<http://www.queensu.ca/mcp>).
 Note: The MPI scores indexes for eight integration policies at three levels (0, 0.5, or 1), with 1 indicating the most multicultural policies.

^a See Wright and Bloemraad (2012) and Koopmans (2013).

⁵ We use all available waves of the biannual survey conducted from 2002 to 2016. We restrict the sample to people between ages 20 and 65, who live in an EU-15 country (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom).

Figure 2.2 First-generation immigrants: Convergence in economic and social outcomes over years of stay in the host country

a. Convergence across regions of origin



considered social outcomes. The magnitude of the gap is largest for home usage of the host-country language—for both EU and non-EU immigrants. Yet, home usage of the host-country language might point to a rather strong degree of social integration (e.g., intermarriage or a strong commitment to stay in the host country).⁶ Also, both EU and non-EU immigrants are to a similar degree less politically and socially active than the native population. This can be driven by lower preferences for political and social engagement among immigrants,⁷ as well as by various structural barriers immigrants face in the host country, such as a lack of country-specific knowledge or limited access to political and social institutions.

With regard to the considered cultural indicators—religiosity and attitudes toward the economic participation of women—the gap is statistically larger for non-EU immigrants. Non-EU immigrants also exhibit

a lower level of social trust, which could relate to the influence of their original culture but could also arise from experiences in the host country (i.e., due to more legal constraints, incidences of discrimination, or more negative attitudes of the native population). However, the magnitude of this gap is marginal. Moreover, there are no significant differences between immigrants and the native population in terms of self-reported generalized trust (i.e., evaluation of the statement “People can be trusted”). While not presented in the figure, we should also mention that, on average, there are no significant differences among immigrants and the native population concerning their emotional attachment to the host country (identity),⁸ participation in social activities, or trust in the host country’s official institutions.

As shown in figure 2.2 (panels a and b), the convergence of immigrants’ outcomes on the level of the native population over the years of their stay in the host

⁶This indicator does not correspond one to one with *knowledge* of the host-country language, as immigrants can be fluent in it, but at the same time keep their own language at home.

⁷This tendency can be due to the fact that immigrants do not anticipate a long-term stay in the host country or because they retain origin-specific attitudes to political and social participation.

⁸Self-reported identity, however, is subject to measurement error more than other measures. Therefore, the differences are less likely to be detected.

b. Convergence across gender



Source: Own calculations based on the European Social Survey, waves 2002–16. Note: The figure is based on the regression results (in panel a, separately for native individuals and non-EU migrants and for native individuals and EU migrants; in panel b, separately for immigrant men and women). Clustered standard errors at the country*year level. The sample includes respondents between ages 20 and 65 who live in an EU-15 country. In addition, all regressions control for gender (when necessary), age group, country of residence, and interview year. The plotted coefficients correspond to the dummies denoting year of stay in the host country (1–5, 6–10, 11–20 and >20) and show the difference in a given outcome between a native individual and an immigrant with X years of stay. ACI = active citizenship.

country takes place at different speeds depending on the outcome in question and immigrants’ characteristics.⁹

While almost full convergence happens for employment, active citizenship, and to a lesser extent home usage of the host-country language, other dimensions of social integration (e.g., religiosity and notably attitudes to women’s economic participation) have a much slower convergence rate over time. Furthermore, when comparing EU and non-EU immigrants with more than 20 years of stay in the host country, we observe that both groups almost fully converge on the levels of the native population in terms of employment and active citizenship. At the same time, non-EU immigrants are more likely to retain their original language; they also remain more religious (although the difference from the native population decreases by about 40 percent compared with newly arrived immigrants) and preserve their attitudes toward the economic par-

ticipation of women. Comparing immigrant men and women shows that after 20 years of stay their outcomes relative to the native population are almost identical, yet for employment and active citizenship, the integration speed of immigrant women is slower than that of men.

Public perceptions of integration and policy responses

Still, it remains unclear whether *all* the reported differences in outcomes between immigrants and the native population should necessarily be interpreted as indicators of poor integration. Does the successful social integration of immigrants require their assimilation across *all* the dimensions, in particular across those related to culture?

Policy discourse on the social integration of immigrants generally swings between two opposing approaches. The first approach favors *assimilationist*

⁹ Yet it is worth noting that because of selective out-migration, these results show convergence of those immigrants who decide to stay in the host country.

policies on the premise that, in order to be integrated, immigrants should fully adopt the host country's culture—its dominant values and norms, leading to the “attenuation of distinctions based on ethnic origin” (Alba and Nee 2003). Conversely, the second approach argues for adopting *multicultural policies* (see box 2.1) that acknowledge immigrants' cultural identity and tolerate cultural diversity. Under such an approach, integration literally means “being an equal member of the society,” while the attachments to origin or the host country's culture are not necessarily deemed mutually exclusive (Berry 1990, 1997).

One way to approach the debate on integration policies is to gather evidence on how the public—both the native population and immigrants—actually understands and perceives integration. The native population will judge how successful integration policies are based on the expectations they have had regarding immigrants' integration. Whether these expectations are met or not will shape attitudes toward immigrants and immigration policies. Immigrants, in their turn, will direct their efforts (e.g., to acquire country-specific skills or adjust their social behavior) based on what they perceive is needed for integration in the host country, assuming

they want to integrate in the first place. Both perspectives are necessary for formulating and evaluating integration policies; however, as box 2.2 illustrates, the perceptions of integration by the native population and immigrants can substantially differ. Several studies have shown that immigrants do not find it contradictory to be well integrated in the host country while still retaining their original culture—especially in private domains. But the native population views immigrants' assimilation across certain cultural dimensions, such as using the host-country language at home or accepting social values, as crucial integration outcomes.

Hence, policies in the area of social integration have to reconcile different perceptions and expectations and ensure immigrants' acceptance of and compliance with integration measures. Both assimilationist and multicultural approaches to integration, however, come with trade-offs and criticism. While immigrants' full assimilation might be desirable to improve social cohesion and, hence, to increase the acceptance of immigrants and immigration by the native population, social integration policies that require individuals to suppress fundamental aspects of their identity can backfire and lead to the development of oppositional identities.¹⁰

Box 2.2 Multiculturalism or assimilation: Diverging perceptions of integration

What constitutes successful integration of immigrants from the perspectives of the native population and immigrants themselves?

Existing research suggests that differences exist between immigrants and the native population regarding the preferred integration strategy. Immigrants appear to be in favor of multiculturalism (Breugelmans and van de Vijver 2004; Callens et al. 2014). For them, cultural maintenance and adaptation to the host-country culture could be seen as two independent options (Berry 1997, 2001). As such, immigrants might see the multicultural integration strategy as less socially and psychologically stressful than the assimilationist policy, because it allows them to maintain their social habits, while at the same time enabling them to become equal members of society (Arends-Tóth and van de Vijver 2003). By contrast, the native population is found to be more supportive of the assimilation strategy—particularly for immigrant groups with large cultural differences (Maisonneuve and Testé 2007; Navas et al. 2007).^a In explaining what mediates these diverging integration preferences, Tip et al. (2012) argue that the native

population often views the preferences of immigrants to maintain their culture as a threat to social cohesion in the host country.

Yet, not all cultural indicators of social integration are perceived by the native population as equally important. Using a conjoint survey in the United Kingdom and the Netherlands, Sobolewska et al. (2017) suggest that the native population has a multidimensional view of integration with a stable hierarchy of preferences on integration outcomes. Using the host-country language at home is perceived as the most important integration outcome. It is followed by respecting European gender values—more specifically, positive attitudes toward women's rights and economic participation. Having friends among the native population comes as the third most important integration outcome according to the respondents. Religiosity, in contrast, is not perceived as a crucial aspect. In addition, nominal outcomes, such as holding citizenship of the host country, are viewed as less important than actual political and social engagement.

^a Studies by Breugelmans et al. (2009) and van de Vijver et al. (2008) reveal that the attitudes of the host population toward integration also depend on the socio-demographic characteristics of respondents: those with higher education and those who perceive themselves as having better opportunities than immigrants show more support for multiculturalism than for assimilation.

¹⁰ Fouka (2016) finds that forced assimilation rather than efforts to facilitate the integration of German immigrant children in the United States instigated a backlash and strengthened the sense of cultural identity among the minority immigrants.

Multicultural policies, in contrast, aim to avoid such cultural conflicts by accommodating diversity; nevertheless, this approach has recently been contested in both academic literature and policy discourse. Critics have argued that multiculturalism's promotion of cultural diversity has instead led to segregation and a lack of social cohesion (Koopmans 2013).¹¹ As a specific example, France and the United Kingdom—albeit historically pursuing diverging integration approaches—have both experienced radicalization and incidents of home-grown terrorism perpetuated by second- or third-generation immigrants of Muslim origin. France has long adhered to assimilationist policies, based on the adoption of French cultural norms and values, whereas the United Kingdom has pursued multicultural integration policies recognizing ethnic minorities' cultural and religious rights. Yet, neither country has fully prevented the social and economic alienation of immigrant minorities (Mix et al. 2011).

What is then the best integration policy approach? The answer is not straightforward, because the causal evaluation of integration policies is complicated by the complex interplay of various factors. While cultural persistence is an important concern, negative integration outcomes might well be driven by structural problems. For instance, a large body of research on 'ethnic penalties' attributes the existence of gaps in economic and social outcomes between immigrants and the native population (after controlling for education, age, gender, and other socioeconomic variables) to inequality in opportunities, discrimination, and exclusion (see e.g., Heath and Cheung 2007; Heath et al. 2008; Johnston et al. 2015). Similarly, Akerlof and Kranton (2000) argue that a lack of economic opportunities and social exclusion represent two crucial factors behind the emergence of oppositional identities.

Therefore, rather than focusing on the symbolic debate of 'assimilation vs. multiculturalism,' policy makers could first take a *structural* approach to integration, which emphasizes the importance of socioeconomic factors for the social integration of immigrants (Algan et al. 2013). Structural constraints (such as limited access to work, housing, education, information, or civil institutions) most likely play a decisive role in immigrants' ability and willingness to integrate in the host-country society. Relaxing these constraints through policies could arguably be more efficient than trying to directly modify the cultural traits of immigrants or to affect preferences of the native population regarding cultural diversity.

Does the economic integration of immigrants facilitate their social integration?

In this final subsection, we look at the role of one important structural issue—access to employment—in the social integration of immigrants. The employment gap between non-EU immigrants and the native population in the EU is well documented. As shown earlier in figure 2.1, even when controlling for skill level and age, this gap is substantial, in particular for non-EU immigrant women. Similarly, non-EU immigrants lag behind other immigrants across certain measures of social integration.

Beyond differences in skill and age composition or cultural backgrounds, non-EU immigrants face harsher structural barriers. For instance, over 40 percent of non-EU immigrant men and over 60 percent of non-EU immigrant women come to the EU for family reunification reasons¹² and thus might face a trade-off: following a partner or choosing the location with the best skill-matching opportunities. Moreover, in many EU member states, labor market access for family members is explicitly restricted, for instance, through requirements to obtain a work permit and to pass a labor market test. Furthermore, among non-EU immigrants, beneficiaries of international protection represent a significant group, especially after the large inflow of asylum seekers to the EU in 2015–16. Similar to family migrants, refugees face many obstacles in the labor market of their host country: among others, restrictions on employment in the first few months after arrival and spatial mismatch between jobs and residential location due to mandatory settlement policies in many EU member states.

From the policy makers' perspective, the benefits and costs of removing structural barriers (e.g., relaxing the labor market test requirement or conducting active labor market policies) is more tangible and therefore easier to implement relative to policies that directly aim at the cultural assimilation of immigrants. Thus, an interesting question is to what extent can better economic integration of immigrants improve their social outcomes?

On the one hand, there are several channels through which employment arguably improves social integration. For instance, employment increases income, which in turn influences consumption and investment decisions. An employed immigrant will have the capacity to move out of an ethnic enclave and into a mixed neighborhood, invest more in country-specific skills or participate in social activities during leisure time. The work environment also offers platforms for interethnic interaction, which could diminish prejudices (if any) toward immigrants, build intergroup

¹¹ For instance, the spatial segregation of immigrants and public visibility of immigrants' expression of religion (e.g., the hijab) are often viewed as symbols of multiculturalism's failure. Using comparative policy analysis with data from eight European countries, Koopmans (2010) argues that, when combined with a generous welfare state, multicultural policies do not provide strong enough incentives for immigrants to acquire the host-country language or to develop interethnic contacts, thus leading to higher segregation and lower economic participation.

¹² Source: Eurostat Labour Force Survey, Ad hoc Migration Module, 2014.

trust, and promote social cohesion. Employment could also increase the social status of immigrants and thereby reduce the incentives to develop an oppositional identity. Hence, immigrants' employment is often considered to be central also for their social integration (Hansen 2012). On the other hand, social integration does not necessarily change in parallel with employment. Immigrants might still lack the country-specific skills and knowledge necessary to be socially and politically active but which cannot be easily acquired on the job. Moreover, various trade-offs could arise between policies targeting different integration outcomes. For example, active labor market policies might encourage immigrants to accept jobs early on at the expense of not properly developing human capital, which is necessary for further job advancement and mobility. In addition, for newly arrived immigrants the choice of jobs available might be limited to those obtained through the ethnic community. As such, even employed immigrants could remain segregated from the native population with low incentives to invest in country-specific skills. This could lead to immigrants being locked in marginal jobs for a long time.

In a research project conducted under MEDAM, we aim at establishing the causal link between the economic and social integration of immigrants by analyzing data from the German Socio-Economic Panel survey. An ideal experiment would randomly assign immigrants to varying conditions that initially affect only their economic outcomes (e.g., the probability of being employed) and which at a later stage could have an impact on social outcomes exclusively through the employment channel. As a real-world proxy for such experimental variation, we exploit labor market conditions at the time of immigrants' arrival in Germany and analyze the outcomes of family immigrants and refugees, who (unlike economic immigrants) do not self-select based on labor market conditions.¹³ We conduct the analysis in two stages (illustrated by figure 2.3, panels a and b). In the first stage, we estimate the effect of the initial economic conditions (the unemployment rate in an immigrant's skill group) on immigrants' current employment. As figure 2.3 (panel a) shows, the initial economic conditions affect the subsequent economic participation of non-EU immigrants and, in particular, of non-EU immigrant women. The results are also economically significant.

Our findings are in line with those of Åslund and Rooth (2007) for Sweden, who also report that immigrants who encountered high local unemployment

rates upon arrival fare worse in terms of employment and earnings compared with immigrant cohorts arriving in favorable labor market conditions. The fact that the effect is strongest for non-EU immigrant women is not surprising; not only do they face more structural barriers relative to EU immigrant women, but also due to (on average) a more conservative cultural background, the opportunity costs of employment for non-EU women are higher than those for non-EU men.

In the second stage, we look at the impact of employment on three social integration outcomes: knowledge of the German language, usage of German at home, and active citizenship.¹⁴ To avoid spurious correlation (as economic and social outcomes affect each other and depend on the personal characteristics of immigrants or other common external factors), we instrument current employment with the initial economic conditions in the year of arrival in Germany. Figure 2.3 (panel b) highlights the positive relationship: better economic integration indeed appears to significantly improve the considered social outcomes of non-EU immigrants. Moreover, for knowledge and usage of the German language, the effect is significantly larger for immigrant women, suggesting that if they remain out of the labor market, there are fewer opportunities (or incentives) for them to acquire host-country language skills. The main policy message from this result is that identifying and removing structural constraints that especially non-EU immigrant women face in the labor market has the potential to yield substantial returns, not only for their economic outcomes, but also for their social integration.

Conclusions

Immigrants' social integration is a complex multi-dimensional phenomenon. It takes place at different speeds in some, but not necessarily all dimensions. In particular, social integration in relation to cultural values (such as religiosity and attitudes to women's economic participation) appears to be relatively unmal-leable and persists over generations.

As a normative concept, social integration is often perceived differently by the native population and immigrants. While the native population in general prefers immigrants' cultural assimilation, immigrants are more in favor of multicultural integration policies. To date, the policy discourse on the social integration of immigrants has generally swung between these two opposing approaches (assimilationist or multiculturalist policies), yet there has been no empirical evidence to support the effectiveness of either approach.

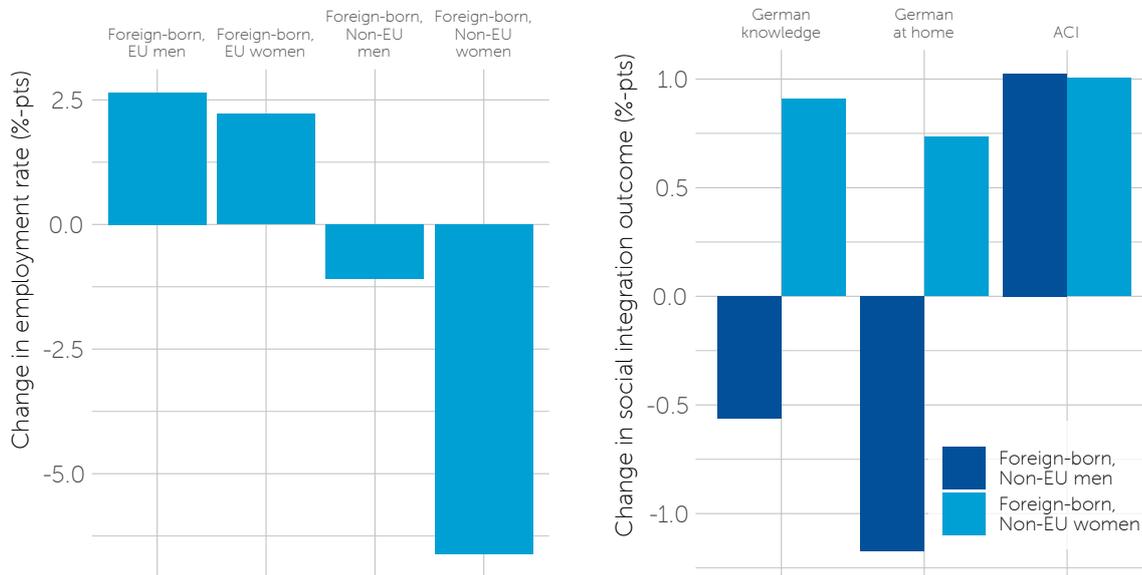
¹³ Our main explanatory variable is the unemployment rate for an immigrant's skill group in the year of his or her arrival in Germany. We use the IAB SIAB administrative dataset (SUF SIAB Regional file 1975–2014) to construct longitudinal variables for labor market conditions per skill group. Skill groups are defined based on occupation and age (following the approach in Steinhardt 2011). In this way, we exploit only the variation in unemployment rates across different skill groups in a given immigration year. We can then identify the effect of the initial economic conditions on social integration outcomes while controlling for the year of immigration, year of survey, skill group, country of origin, and basic socioeconomic controls.

¹⁴ Data limitations prevented us from conducting the analysis with other social integration outcomes presented and discussed in this section.

Figure 2.3 Link between the economic and social integration of immigrants

a. First-stage result: Effects of initial labor market conditions (unemployment rate) on immigrants' probability of being employed in the future

b. Second-stage result: Effects of employment (instrumented with the initial labor market conditions) on immigrants' social integration outcomes



Source: Own calculations based on German Socio-Economic Panel data, 1986–2015.

Note: The sample includes immigrants who came to Germany for family reunification or to seek international protection and were age 14 or older at the year of immigration. Statistically significant results are labeled. Panel a shows the first-stage results: the percentage point change in the current employment rates of immigrants if the initial unemployment rate in their skill group increased by 1 percentage point. Panel b shows the second-stage results: the percentage point change in social integration outcomes if the current employment rate increases by 1 percentage point. The regressions control for the year of immigration, skill group, survey year, country of origin, age group, education, and non-linear terms for years of residence. In a robustness check, we control for time-specific skill-group effects; the results are qualitatively similar but lose their significance due to power issues. ACI = active citizenship.

Taking into account perceptions of both the native population and immigrants and properly communicating the goals of integration policies is important. Caution is needed when designing integration policies that require immigrants to suppress fundamental aspects of their identity, as this can lead to their alienation and the development of an oppositional identity.

A structural approach to integration is called for since removing the structural barriers that immigrants face represents a more feasible (down-to-earth) task

for policy makers. We have highlighted the effect of favorable labor market conditions when immigrants arrive with respect to their subsequent economic and social integration outcomes. Moreover, instead of focusing on symbolic and divisive debates on cultural differences and assimilation, setting realistic and measurable integration targets (e.g., host-country language proficiency or active citizenship) would be more effective and achievable.

2.2 The impact of security-related events on attitudes toward migration

Lead authors: Esther Ademmer and Tobias Stöhr

In the years 2015–17, there was a surge in high-publicity terrorist attacks in the EU. Several important immigration countries, such as France, Belgium, Germany, Sweden, the United Kingdom, and Spain, were hit by terrorist attacks linked to Islamist extremism. Most of these attacks were perpetrated by members of ethnic minorities who were first- or second-generation immigrants.

Have these events impacted attitudes toward migrants and migration in the EU? In countries with populations that have been highly critical of immigration and the reallocation of refugees, such as Hungary and Poland, over 70 percent of the population also agree with the statement that “refugees will increase the likelihood of terrorism in our country” (Pew Research Center 2016). Yet, in other European countries, citizens do not make the connection between immigration or refugee flows and higher security risks nor do they

necessarily see these as top priorities (maps 2.1–2.3). As map 2.1 shows, citizens in southern EU countries are far more concerned with unemployment. Also, Spain—the country that was hit by the most recent, highly publicized terrorist attack before the 2017 survey—has one of the lowest shares of respondents calling terrorism a top priority (map 2.2). Spain (40 percent), as well as France (46 percent), which arguably has been the most seriously affected by terrorism in recent years, are among the EU countries with the lowest shares of respondents confirming the statement that “refugees will increase the likelihood of terrorism in our country” (Pew Research Center 2016). Why do countries respond so differently to terrorist threats with regard to attitudes toward immigration? And under which conditions do security-related events affect attitudes and make people call for stricter security and immigration policies?

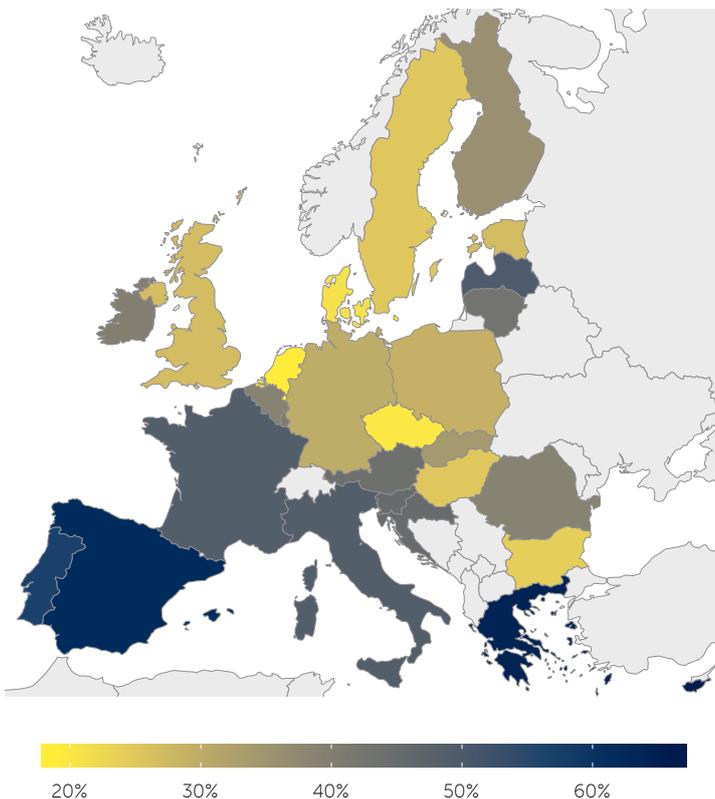
Understanding these dynamics is crucial for shaping policies on immigration and asylum at the national and EU levels. In democratic societies, these attitudes frequently narrow down the choice of a broad array of migration policies that politicians campaign for and advocate when elected. They thus potentially affect the policy response of the whole EU. This is even more the case given that views of refugees often go hand in hand with similar attitudes toward Muslims or non-EU migrants.

As we will discuss, attitudes are only partly fixed and can be shaped by the links that politicians and the media make between migration and terrorism, especially after terrorist attacks. These dynamics can create both virtuous and vicious circles for social cohesion and migrant integration: a societal environment that is hostile toward migrants is likely to make successful social and economic integration far more difficult, while a welcoming environment is a likely facilitator (Callens and Meuleman 2017).

(How) do events impact public opinion on migration?

Security-related events only matter for public attitudes toward immigration if people make a cognitive link between the two. This link is not made automatically, nor is it rational in the sense of being based on factual evidence. True, a recent study of one German state (Lower Saxony) shows an increase in crime victimization that is largely associated with the region’s refugee population (Pfeiffer et al. 2018). In addition, most

Map 2.1 Share of the population who see ‘unemployment’ as one of the three main challenges facing the EU



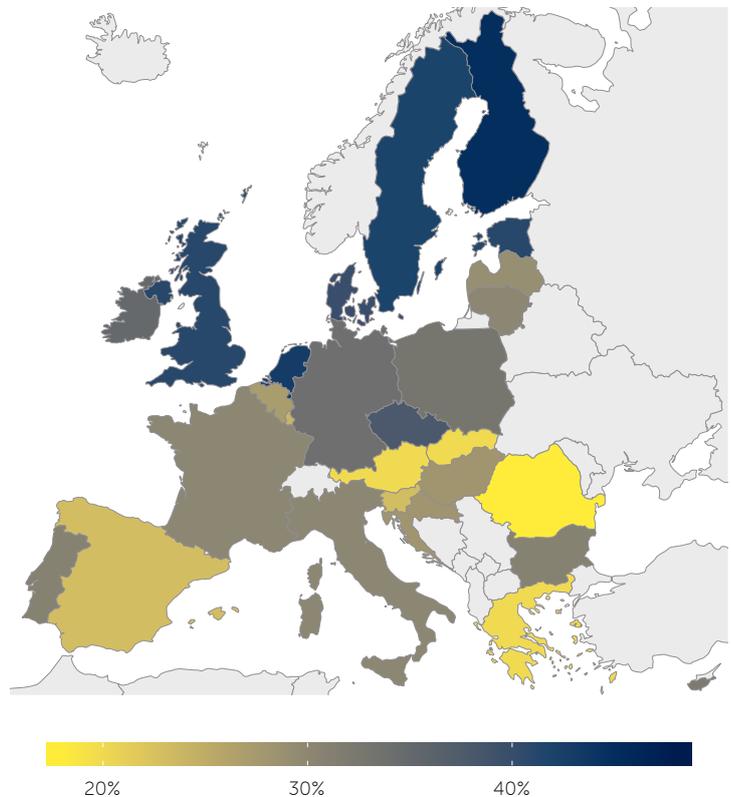
Source: Own elaboration based on data from Eurobarometer 2017.

of the high-publicity terrorist attacks have been perpetrated by first- or second-generation migrants. When controlling for age, gender, and legal status, however, to name but a few factors that drive crime rates in any society, immigrants are no more prone to crime than non-immigrants. Empirical studies that cover a number of countries and a longer period do not show any clear or consistent link between immigration and crime (Nunziata 2015).

The factors that contribute to people making the cognitive link between security-related events and immigration hence provide explanations for the puzzling finding that people react to terrorist events with negative attitudes toward immigration and immigration policy in some countries, but not in others. To the best of our knowledge, there are no studies that systematically and holistically look into the complex process that may make attitudes toward immigration or immigrants change after security-related events. Such factors are very difficult to disentangle in a scientifically sound way, because different psychological traits, socioeconomic conditions, political preferences, and contact with immigrants affect each other. In this section we thus combine aspects covered in different academic disciplines to highlight some of the dynamics that can drive attitudinal change after security-related events (summarized in an illustrative process in figure 2.4). This may help to make some sense of the puzzling developments in EU countries in response to terrorist attacks. While individual characteristics, such as age, gender, and deeply rooted psychological traits are the prime layer through which attitudes can be explained (see section 3.2 in MEDAM 2017), we put special emphasis on the political and societal dynamics that may emerge after security-related events and which can result in attitudinal change.

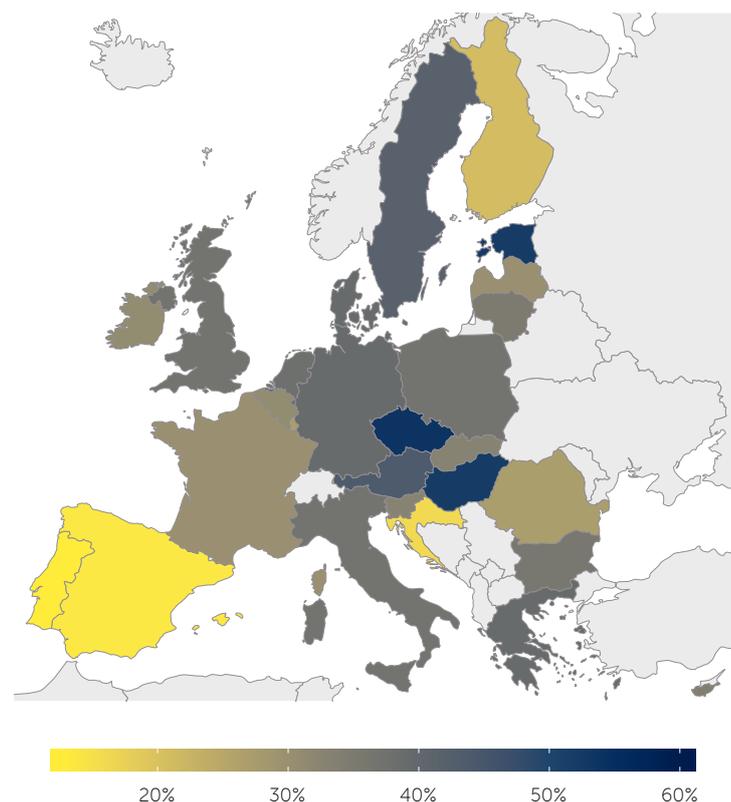
Security-related events will raise the perception of insecurity in a society (step 1 in figure 2.4), if the public perceives some chance that it too could be harmed. Threat perception, however, is not simply proportional to the number of incidences, the number of victims, or geographical proximity. It usually matters whether people identify with the individuals or societies victimized by such attacks. The evidence from various attacks in Europe and in other parts of the world, complemented by experiments on donations in the aftermath of catastrophes, shows that if people feel closely related to victims of an event—even to those who are physically distant—they react more emphatically and are more likely to feel threatened (see, for example, Legevie 2013; Finseraas and Listhaug 2013; Kogut and Ritov 2007). The fact that recent terrorist attacks related to Islamic extremism have received high levels of attention in Europe while attacks in the Middle East or other parts of the non-Western world are mostly ignored is thus not a coincidence. In addition, the major waves of terrorism that Europe experienced in the past—by separatists or political extremists—often targeted

Map 2.2 Share of the population who see ‘terrorism’ as one of the three main challenges facing the EU



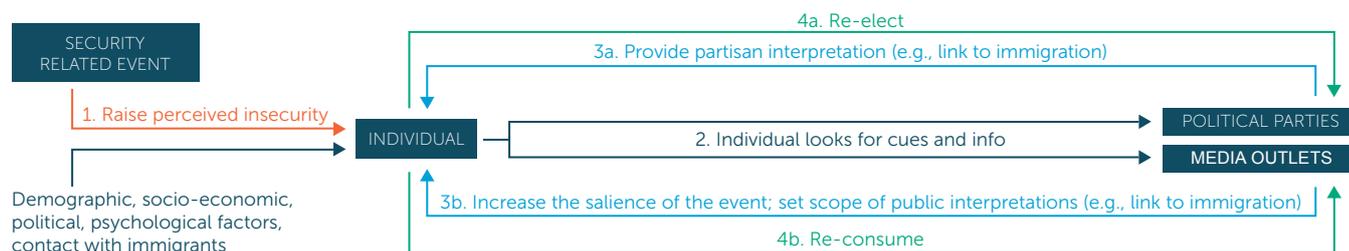
Source: Own elaboration based on data from Eurobarometer 2017.

Map 2.3 Share of the population who see ‘migration issues’ as among the three main challenges facing the EU



Source: Own elaboration based on data from Eurobarometer 2017.

Figure 2.4 A stylized process of attitude formation after an event



Note: For more information on demographic and other factors affecting individual attitudes, see section 3.2 in MEDAM (2017).

symbols of the state. Terroristic attacks linked to Islamist extremism, by contrast, are directed against civilians, and aim to maximize public attention and fear. Targets are often selected accordingly, either as symbols of an opposed lifestyle (e.g., concert venues) or because the diversity of victims will maximize international attention (e.g., airports or tourist attractions).

Once people feel threatened, they try to re-establish their psychological balance by making sense of an event—and prejudice and discrimination against out-groups to which perpetrators allegedly belong are possible ways to do so (Greenaway et al. 2014). That said, not everyone learning about security-related events feels threatened and then translates this into prejudice, stereotyping, and eventually anti-immigrant attitudes. Instead, people filter and digest the information about such events while being influenced by a number of individual characteristics and contextual factors as well as their previous attitudes and convictions. People who hold unfavorable attitudes toward immigration, for instance, often fear that immigration increases crime and thus decreases their security (Nunziata 2015). Attacks that are perpetrated by migrants may then confirm and strengthen this initial attitude. Conversely, people who hold positive attitudes toward migration are less likely to re-evaluate the advantages they associate with immigration per se due to an individual perpetrator. Such attitudes toward migration are relatively sticky and thus do not easily change in response to an event. The reason is that they do not come out of thin air¹⁵ and are again determined by a number of psychological, demographic, socio-economic, and political factors (see section 3.2 in MEDAM 2017). One of these factors, for instance, is the perception of control. Individuals are considerably more likely to respond to a threat with prejudice against out-groups if they feel they have little control over the threat or over their lives in general (Greenaway et al. 2014). By contrast, those who feel in control do not respond to threats with higher degrees of prejudice.

It also matters whether an individual has contact

with immigrants (Legewie 2013): more intense personal contact counters the negative effects that a higher number of migrants (for example due to the 2015 refugee inflow) has on attitudes once an incident happens. While a larger number of immigrants in a region can increase the feeling of group threat, it also increases the likelihood of personal contact between immigrants and the local population. Hence, if immigrants are socially integrated into a local community in the host society, a negative event is unlikely to result in negative attitudes toward them within this community. This, however, does not preclude that other members of the host society who do not have this personal contact will develop negative attitudes toward them. The attitudes within a society may thus polarize, depending on who has contact with one part of society and thus potentially develops a positive view of integration while the other a negative one. In addition, economic factors play a role: the abovementioned study also provides evidence that security-related events have a stronger negative impact on attitudes when economic circumstances are worsening and when unemployment is on the rise.

Yet, there are other dynamics in a society that may influence public attitudes toward immigration. Hopkins (2010) shows that nationally salient issues, like the September 11 attacks, make attitudes toward migration change for the worse in communities in which people experience more immigration. He argues that such attacks drive anti-immigrant sentiment via strong, national immigration rhetoric that provides cues¹⁶ to a host population that is unsure about how to judge demographic changes. People may especially look for such cues after events that increase their perceived insecurity, which in turn leads to the psychological imbalance described above (step 2 in figure 2.4).

Political parties may interpret a security-related incident and connect it to immigration (step 3a); risks are assessed accordingly, attitudes toward immigration are adjusted and so are demands for policy responses. In this regard, it is no surprise, for instance, that in the 2016 Pew poll 85 percent of self-reported supporters

¹⁵ As research on developments until 2014 has shown, attitudes toward immigration in Europe have not generally changed for the worse. On average, they have become slightly more positive, but people lean toward extreme views on either end of the spectrum, hence contributing to greater polarization (Ford and Lympepoulou 2017).

¹⁶ Cueing in this sense means that people are provided with hints on how to understand, judge, or categorize certain real-world developments.

of the French right-wing Front National agreed with the statement on refugees increasing terrorism while only 31 percent of supporters of the social-democratic Parti Socialiste did. These perceptions were measured within a country at a single point in time, so they are not explained by differences in actual risk.

The media provide the public with additional cues (step 3b) and often give politicians a voice. They also decide which actors and positions to represent and thereby contribute to transmitting the scope of interpretations from which individuals can draw. For instance, while British tabloids were firing a barrage of superlatives to describe the supposed negative effects of immigration on taxpayers and the U.K. National Health Service, a German political talk show famously used the audience to illustrate that an inflow of 1 million refugees into a country of 80 million would be unlikely to overwhelm the treasury or society (see Berry et al. 2016 for a comprehensive analysis of the press coverage of the refugee crisis).

Such cues can lead to long-term differences in perceptions that have little bearing on reality. Environments in which the media reports on migration issues in an overwhelmingly negative way can foster negative stereotypes of immigrants or ethnic minorities, tilt attitudes toward immigrants negatively, and create demand for a more restrictive immigration policy (Van Klinger et al. 2015). A higher number of negative news reports in one region can be shown to increase the perceived group threat more than in a second region with the same level of crime but fewer such news reports. This mechanism is particularly strong in regions with fewer immigrants (Schlueter and Davidov 2013). Over time this dynamic system can affect attitudes and threat perceptions, as well as the choice of which media to consume (step 4b in figure 2.4). Traditional media are only one source where people look for information when events increase the perception of insecurity. New platforms have started delivering news and made individual selection of news outlets a much more passive affair, because algorithms now choose which news items a user encounters. This has important implications for how security-related events are perceived and discussed.

Social media, threat perceptions, and attitudes

In recent years, social media have not only come into wide use. Just as any traditional network, they also connect people by facilitating an often loose network of friends and contacts in different regions and countries. In the past, many of these links would not have been sustained. Still, knowing someone from a place hit by a terrorist attack will increase the level of empathy

with victims. Social networks can thus relay the perception of being threatened by security-related events across large geographical distances. This mechanism, however, will mostly be relevant to those with international contacts who have traveled considerably and have created a geographically spread-out network of friends and acquaintances. For large parts of the population, the contacts on social networks are mostly local or from the same country. The arguably more important effect of social media is therefore that on the kinds of information consumed and the insights social media provide on other people's views. In addition, users can discuss political issues out in the open and can easily share news they find important or curious with geographically distant people in their personal network. Newspapers and TV stations now use social media accounts to reach audiences and often invite or even feature online commentary by ordinary users.

The extent to which migration and asylum are nowadays discussed online can be studied, for example, by using data from the most widely used network in many countries: Facebook. We have compiled articles and the respective comments posted on this platform from 2010 to 2017 by the 81 most important German regional newspapers (see box 2.3).¹⁷ During this time, the comments under articles about migration and refugees increased by a factor of 500. This was driven only partly by more news items that could be commented upon. At the same time, there was a fivefold increase of commenters per article and the commenters who participated were not always the same. Rather, the increase in the number of unique commenters who provided any views also increased massively. The total number of comments shows three strong peaks: (i) at the height of the refugee inflow in summer and autumn 2015; (ii) in January 2016, when people discussed the mass sexual violence that occurred in Cologne on New Year's Eve in 2015; and (iii) after the terrorist attack in Berlin in December 2016. The number of unique commenters per article by contrast shows a slightly different picture. After an initial spike in 2011 when the constitutional court discussed whether teachers should be banned from wearing headscarves, the systematic increase began with the first larger inflows of refugees from Syria in 2013. The broadening of the number of commenters was already mostly underway when Angela Merkel gave her famous speech ("Wir schaffen das"/We will do it) in late August 2015. The highest peak (see the graph in figure 2.5), as in the case of the total number of comments, pertained to the discussion about the events of New Year's Eve in 2015.

What are the likely effects of such discussions and comments on social media? Reading comments alongside articles is not very likely to change the views of people at the extremes. However, those

¹⁷ The design and implementation of the research project described in this box is joint work by the authors and Robert Gold (Kiel Institute for the World Economy). Technical assistance by Vahid Sadiri Javadi and research assistance by Eva Bengert, Hannah Sill, Merlin Pratsch, and Julian Wingenbach are gratefully acknowledged.

Box 2.3 Studying attitudes on social media

Social media has become an important arena for public discussion. Comments on social media provide unique insights into people's opinions because they are largely unfiltered and thus unaffected by the distortions that plague opinion polls or scientific surveys about controversial issues (e.g., the risk of nonparticipation by those with extreme opinions). Yet, not least due to technical difficulties in accessing data, there is so far relatively little systematic knowledge about the way in which immigration, immigration policy options, and security-related events are discussed online.

To overcome this research gap, we have been investigating the dynamics of social media debates about migration and asylum. Toward this end, we have systematically downloaded all Facebook comments that were posted under articles published by the 81 largest regional newspapers in Germany (see figure 2.5). After filtering out articles not covering migration, asylum, or related topics, our dataset includes about 30,000 individual articles and 600,000 user comments. Facebook users posted these comments from 2010 to 2017. For this report, we only focus on the years 2012 to 2017, which saw much more active commenting. The location of the regional newspaper that posted the comments provides a rough approxi-

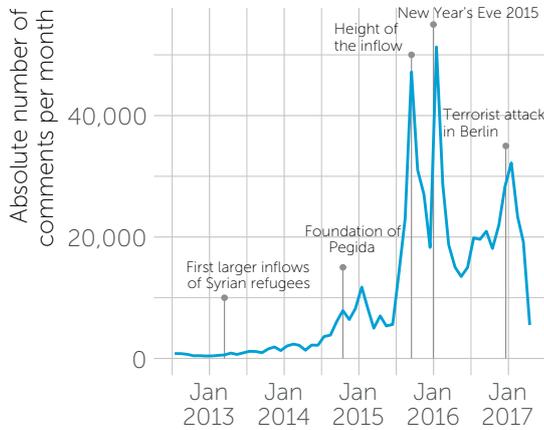
mation of the location of the users who commented. We also know when a comment was posted and can distinguish among individual users who posted these comments with the help of an anonymized, unique identification number. What patterns can be seen in these data?

One straightforward finding—shown in figure 2.6—is that the average number of individuals who discussed migration and asylum below a single article on Facebook strongly increased over time, from about 5 users amid the first wave of larger inflows of refugees from Syria, to about 25 when the 2015 New Year's Eve events in Cologne dominated the German headlines. If one imagines 5 people meeting physically in a small room in order to engage in a joint—and most likely heated—conversation, and the next time they meet 20 new people enter the room to add their opinions, one gets an idea of the substantial meaning of this finding for public debates. Of the total 600,000 comments, we have been studying a subset of several thousand comments in greater depth, differentiating the themes that users addressed in their posts and the authority level (such as the nation state or the EU) referred to, for instance. Analyses are ongoing and new findings and updates will be shared on the MEDAM website.

who previously had neutral opinions are likely to re-consider theirs (cf. Sung and Lee 2015). An important channel through which this can occur is that where online comments influence the perception of the majority opinion (Zerback and Fawzi 2017). Individuals tend to align their views with those of the majority of the social groups they interact with or want to belong to. This is the main origin of the powerful 'group-think' effect, which was originally researched long before the invention of the internet. On social media platforms this effect can be particularly strong, since much of the news that users consume on social media is referred to them via their personal network. Members of the network tend to act as filters. Where traditional media filter information and often try to provide a balanced picture, the news these contacts share is typically in line with their own opinions (Bakshy et al. 2015). Especially when the active, self-selected consumption of particular media outlets is replaced by passive consumption of a feed of information that others have preselected, the result can be a polarization of opinions. This can become self-sustaining because information that is not in line with prior biases tends to be either processed differently or ignored. Confirmatory news and comments, on the other hand, strengthen one's own standpoint.

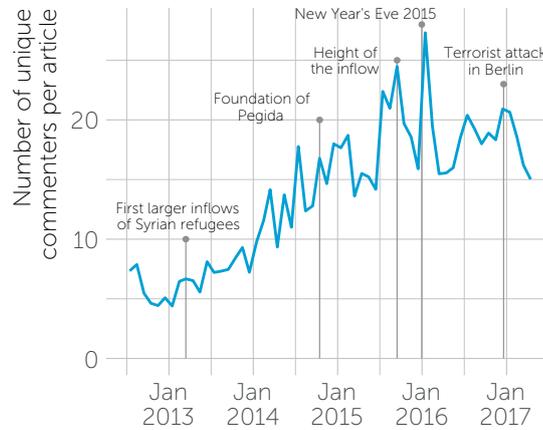
This mechanism not only matters because it shapes the debate online. People who are more politically interested and more politically active on social media also tend to be more politically active offline (Vitak et al. 2011; Gustafsson 2012). Moreover, traditional media often change over time from an alarm mode of reporting to portraying more contextual information, leading to more balanced coverage. This has been shown to shape attitudes too (Boomgaarden and De Vreese 2007). By contrast, individuals are likely to initially comment on events in an alarm mode but may not later engage in a similar debate that places the incident in its wider context. In figure 2.5 this is illustrated by the steep decline in the number of comments, which is partly driven by a decrease in the number of articles. This fall in user's engagement in discussions can already be measured within a few days after an event. If people's increasing use of social media focuses attention on the first few days after an event, this may amplify the cueing effect during the initial 'alarm stage' of reporting about security-related events. Later on, less contextual information may be conveyed to the public, making it more difficult to sustain a balanced public debate and build support for effective policy responses.

Figure 2.5 Distribution of Facebook user comments under articles on migration and asylum posted by German regional newspapers on Facebook



Source: Own elaboration based on Facebook data, 2012-17.

Figure 2.6 Number of unique Facebook commenters under articles on migration and asylum posted by German regional newspapers on Facebook



Conclusions and policy recommendations

Security-related events, such as terrorist attacks, can impact public attitudes toward immigration by changing the perception of threat. Perceived threat, however, does not directly or automatically lead to anti-immigrant sentiment. Instead, this mechanism depends on a variety of individual characteristics and contextual conditions. In this section, we have discussed a number of them, such as personal control and economic conditions, that shape local responses to security threats. We have also looked at how the rapid demographic changes through migration (as seen in Europe in recent years) and security-related events are likely to increase a feeling of uncertainty in the local population. Social or traditional media and political parties that interpret such events as being caused by immigration and which identify groups of immigrants as increasing threats provide cues to the population and thereby drive anti-immigrant sentiment.

The process outlined in this section allows for a number of policy-relevant conclusions. First, the perceived loss of control over a threat or over one’s life in general partly determines whether such perceived threats translate into prejudice toward other groups in a society. This is relevant for policy making and the wider public, because it connects issues of security with social cohesion. Reducing the likelihood of such events from occurring by means of security expenditures will only be possible if extremely large resources are put to the purpose. Systematic flaws on the side of law enforcement authorities will certainly need to be tackled to reduce security risks in the long run. This also includes the deportation of individuals without legal residency who pose obvious risks. Yet, it is highly unlikely that terrorist attacks can be fully prevented in this way. If having a maximum of security is deemed a

very important aim, a diminishing return implies that some of the vast resources would better be spent fostering economic prospects, social integration, and social acceptance for those who feel sidelined and are at risk of radicalization—be they immigrants, non-migrant members of minorities, or members of majorities.

Second, turning from security to public opinion, there is a large risk associated with having anti-immigrant interpretations dominate debates after security-related events that portray an entire out-group as violent. Not only are such portrayals factually misleading, but also they may increase future security risks because heightened intergroup rivalry diminishes social cohesion and makes it more difficult for members of all kinds of minorities to integrate, feel part of society, and lead satisfying lives—factors that reduce the risk of radicalization (Dalgaard-Nielsen 2010; Lyons-Padilla et al. 2015).

We have identified political parties, as well as traditional and social media, as actors responsible for conveying such dominant interpretations. In our view, the interpretation of security-related events is too often left to vocal right-wing parties (who frequently connect it to immigration). Moderate political actors distance themselves from radical ones, without providing a strong inclusive counter-narrative. Notably, however, a positive counter-example of this was seen in France after the attack on the satirical newspaper *Charlie Hebdo*, which President François Hollande framed as an attack on central (and inclusive) republican values. So far, the attack has not translated into an attitudinal change in terms of immigration policy (Solheim 2017).

Apart from political actors, traditional media could contribute to a more balanced coverage and interpretation of events by rethinking the alarm mode of reporting—which is often of no informational value—

and by providing contextual information and a variety of different voices that jointly give more differentiated interpretations to the public. And finally, we have identified that social media has great potential to increase the polarization of public opinion, also because user comments define how news reporting is processed. Research suggests that one way to tackle problems with uncivil online discussions below news articles is to moderate user comments. Even the sheer impression of moderation (and the threat of deletion) has been shown to reduce bias in news consumption (Yeo et al. 2017).

In Germany, the *Netzwerkdurchsetzungsgesetz* (NETZ DG) put forward by the interior minister is an

attempt to improve the civility of online commenting. Since January 2018, social networks (of a certain size) need to delete ‘obviously unlawful’ comments within 24 hours of their posting. The law has been massively criticized by various sides for potentially limiting freedom of speech, for being unconstitutional, and for shifting the responsibility of determining the potential unlawfulness of comments to private enterprises. The greatest challenge for political actors will thus be developing ways to enforce existing laws online in order to prevent further polarization without undermining the fundamentals that the legal order is based on in the first place.

2.3 The regional dimension of immigrant integration

Lead authors: David Benček, Rezart Hoxhaj, and Alessandra Venturini

Integration outcomes between and within countries

The economic integration of migrants is a priority for the host countries for both benevolent and opportunistic reasons: a more integrated labor force is more productive and a net contributor to the welfare state (OECD 2013, 129); well-integrated migrants are less likely to accept very low wages or substandard conditions of work (Constant et al. 2017), which helps to avoid a race to the bottom with resident workers; and finally, in simple terms, well-integrated migrants are happier members and contributors to society. General statistics, but also studies that take into consideration the specific characteristics of the migrant population (which differ across EU countries) show that employment and income differentials between migrants and residents exist almost everywhere in the EU (MEDAM 2017; Frattini et al. 2017). However, the variability of such economic integration indicators is much larger across EU member states than across regions within the same country (see maps 2.4 and 2.5). The differential of the employment probability between locals and third-country nationals varies¹⁸ by 9.2 percent for men and 12.9 percent for women across European countries, while it decreases to an average of 2.3 percent and 3.3 percent, respectively, when calculated separately within each country (Eurostat data, 2015).¹⁹

These figures support the argument put forth by van

Tubergen et al. (2004) and Kogan (2006), who point to the relevance of the institutional and economic variables. More in particular the figures reflect the research of Guzi et al. (2016), who show that the wage differential at the national level is largely (about 87 percent) explained by the different characteristics of the countries in terms of the regulations and institutions that govern the labor market, welfare systems, productive structures, vocational training, and migration policies.

In addition, regional differences within the same country persist because, among other policies, those concerning integration are designed and implemented locally. Alongside local governance, plenty of other local factors play a crucial role in migrants’ integration. Among those, the manner in which migrants’ spatial distribution within a given region affects the level and speed of their integration is not only widely discussed in the academic literature but is also part of the public and policy debate. The current discussion about asylum seeker resettlement within the territory of host countries is just one example. In this section we thus focus on how the magnitude of the respective migrant community and its linguistic distance from the host country can affect the wages of migrants. Specifically, we scrutinize if and to what extent the linguistic distance shapes (or influences) the effect of community size on the wages of migrants. Does the community influence differ between linguistically close and distant groups of migrants?

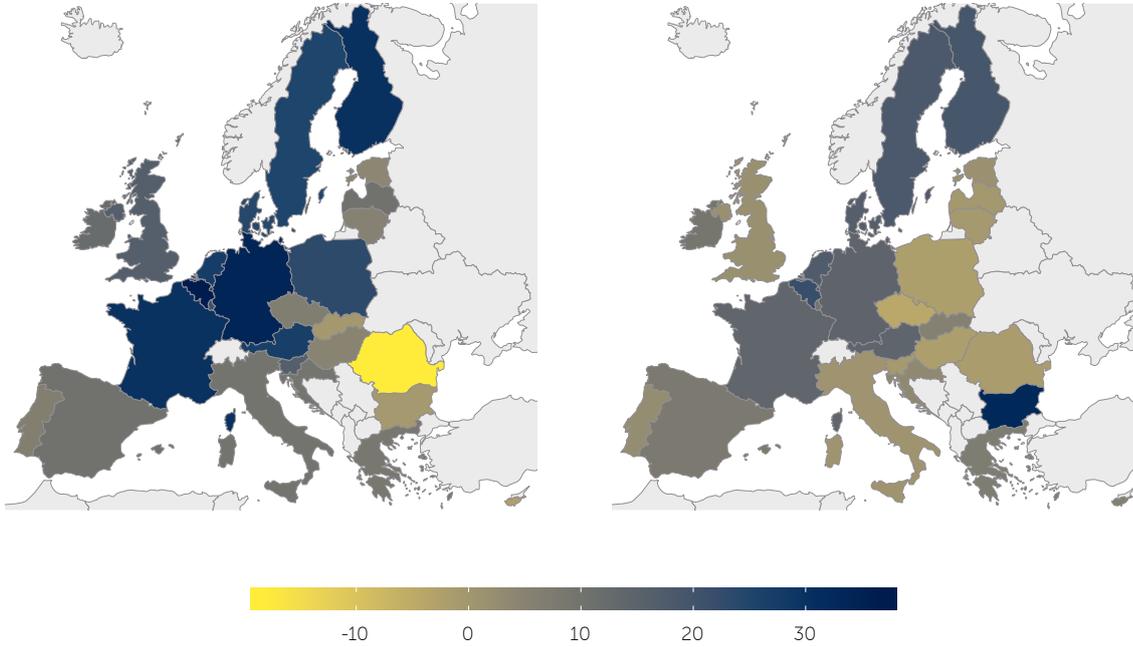
¹⁸ Variability is measured by the standard deviation of the employment probability differential between migrants and locals. To mitigate the influence of different levels of human-capital characteristics of migrants across countries, we assess employment probabilities conditioned on relevant, individual human-capital characteristics.

¹⁹ Here we consider the following European countries: Germany, Spain, France, Greece, Italy, Poland, and the United Kingdom. These countries have a sufficient number of regional divisions to assess a within-country dispersion rate.

Map 2.4 Country-level employment differential of locals vs. third-country immigrants, 2015
 (Percentage point difference in employment probability, by gender)

a. female

b. male

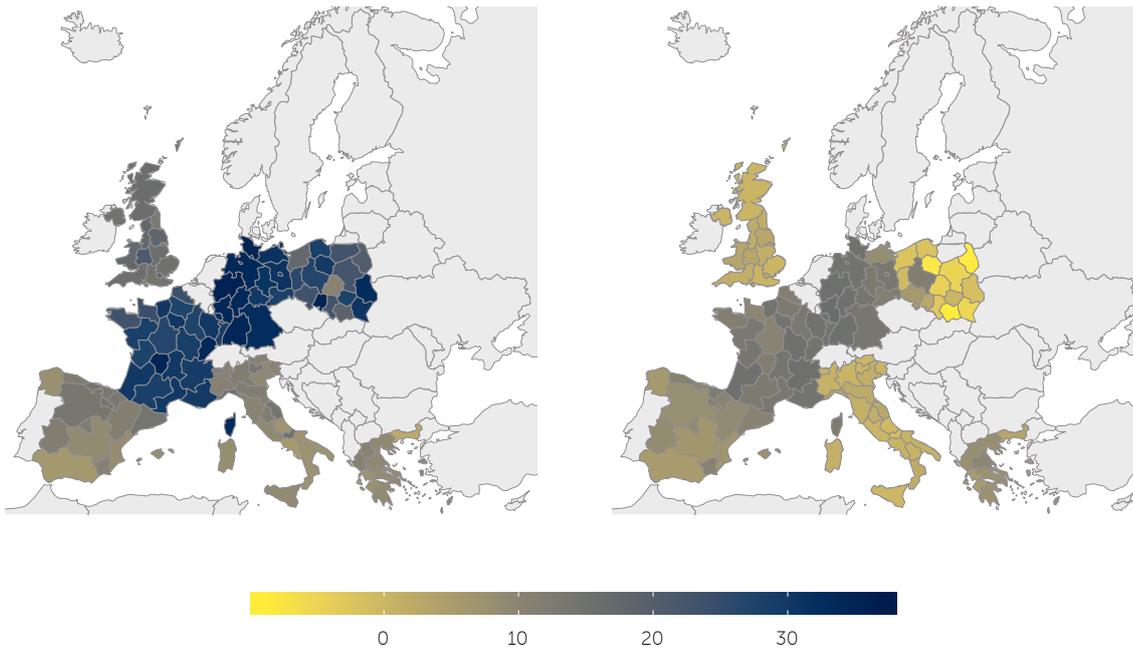


Source: Own elaboration based on EU Labour Force Survey data for 2015 from Eurostat.

Map 2.5 Regional employment differential of locals vs. third-country immigrants, 2015
 (Percentage point difference in employment probability, by gender)

a. female

b. male



Source: Own elaboration based on EU Labour Force Survey data for 2015 from Eurostat.

It is a matter of fact that migratory flows have substantially increased the socio-cultural diversity of the population in Europe. According to Eurostat, in 2015 more than 100 different migrant languages were spoken together with the existing 84 official, regional, and minority languages of the host countries. In the second part of this section, we discuss the various channels through which diversity, in the sense of linguistic diversity as well as the heterogeneity of origins, at a local level affects the wages of both migrants and local workers. We complement this discussion with results from our recent work in the context of the MEDAM project.

The results of this analysis should guide policies on the spatial distribution of asylum seekers, taking into

account both the size of the specific ethnic community and the composition of the foreigner community at the local level.

The effect of co-nationals on economic integration

When migrants make decisions about their destination, their choice is strongly affected by the presence of prior migrants with whom they share the same culture, values, and language. The empirical labor market research frequently points to a negative role of co-nationals at the local level, arguing that in a segmented labor market, migrants of the same ethnic group tend to compete for the same types of jobs and thus

Box 2.4 The spatial dimension of migration: The U.K. case

Lead author: Carolina Zuccotti

Few people would claim that Europe has ‘ghettos’ like those found for the African-American population in the United States. Yet, there is ample evidence that migrants in Europe tend to live close to other members of the same group and, often, this also applies to their children (Musterd and van Kempen 2009). As in many other European destination countries that have received large numbers of non-European migrants in the past 50 years (like Germany, the Netherlands, or Belgium), the spatial concentration of migrants and their children has been a matter of concern in the United Kingdom. One could argue that a reduction in the levels of concentration of migrant groups is often a desirable outcome. The main reason is that the unequal distribution of individuals with different migrant backgrounds in the space can be an impediment to social cohesion (Uslaner 2012), as it prevents them from having more daily interactions with members of other groups.

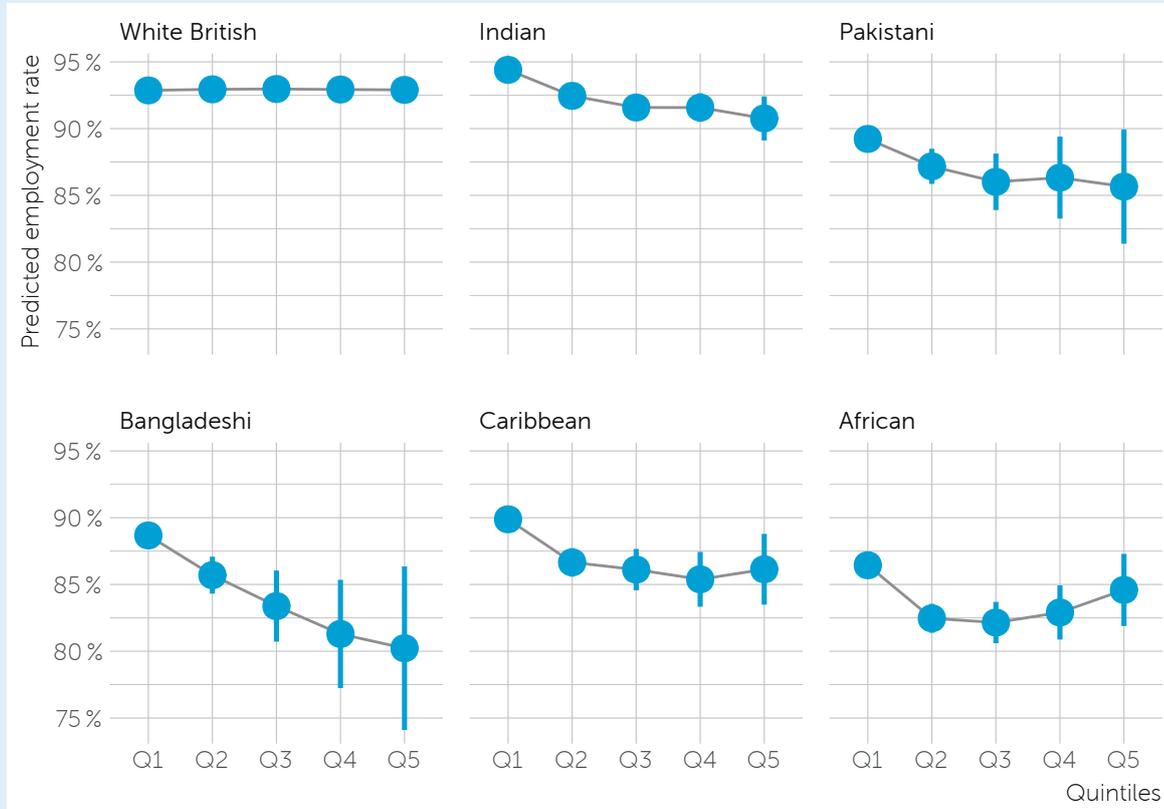
That said, whether the spatial concentration of migrant groups is a good or a bad thing for the migrants themselves is a matter of debate. For example, migrant concentration in the United Kingdom has been shown to have some positive effects on subjective well-being (Knies et al. 2016) and on occupational outcomes for second generations, especially among groups with high levels of human capital (Zuccotti and Platt 2016). These positive effects might be connected to the role of neighborhoods as providers of material resources (like places of worship, shops, or community programs), psychological resources (positive identity and protection against discrimination), and in some cases high-quality social networks.

At the same time, migrant concentration has also been shown to have a negative impact on labor market access for some groups, which is a key route to migrants’ integration in a society. Figure B2.4.1 shows the spatial correlation between migrants’ concentra-

tion in the neighborhood (see the figure note) and migrants’ employment rate in the neighborhood, separately for each *migrant group*, net of the effect of neighborhood deprivation (which often affects employment outcomes). In general, but especially for Bangladeshis, the larger the presence of group members in the neighborhood, the lower is their employment level. This relationship has also been corroborated after individual and household socioeconomic characteristics have been taken into consideration (Clark and Drinkwater 2002; Khattab et al. 2010). A more recent study has also found long-term negative effects of ethnic concentration (Zuccotti and Platt 2016) on the employment of Pakistani and Bangladeshi women born or raised in the United Kingdom. Poor-quality social networks (especially for groups with lower socioeconomic resources) might be part of the explanation behind the negative effects of migrant concentration; in the case of women, the results might also be connected with the predominance of traditional views about gender roles in areas with a high concentration of migrants, as found for the Bangladeshi population (Zuccotti 2017).

Key messages from these studies are, first, that while factors such as individuals’ socioeconomic background, religion, or cultural characteristics have long been shown to play a role in the labor market opportunities of migrants and their children (Heath and Cheung 2007; Platt 2005; Zuccotti 2015), policy makers need to take into consideration that processes connected to the neighborhood—be they positive or negative—might also be playing a role. Second, and more generally, outcomes other than those associated with the labor market should also be considered when developing integration policies, since they may provide alternative views on the cost and benefits of migrants’ spatial concentration.

Figure B 2.4.1 Migrants' predicted employment rates in the neighborhood, by level of migrant concentration in the neighborhood (quintiles)



Source: Own calculations based on the 2011 Census and 2015 Index of Multiple Deprivation.
 Note: Neighborhood data have been obtained for middle layer super output areas, which have an average of 7,800 individuals. For each migrant group, quintile 1 refers to the 20 percent least concentrated, while quintile 5 refers to the 20 percent most concentrated. Values are expressed in percentage probabilities (with 95 percent confidence intervals). The results are net of neighborhood deprivation.

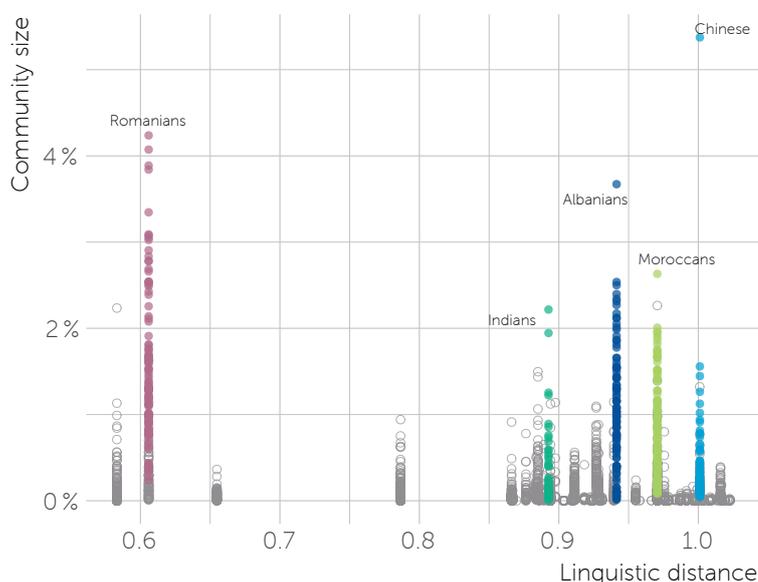
wages decrease as the community—the supply of labor—increases (Chiswick and Miller 2002). A large community of co-nationals may also reduce the contacts with the local community (De Palo et al. 2006) and therefore, negatively affect proficiency in the local language (Beckhusen et al. 2013 in the United States), which in turn reduces opportunities for the professional advancement of migrants. Other studies find a positive contribution of the community of co-nationals to the professional integration of migrants because it can help the newly arrived to overcome labor market frictions (Damm 2009, in Demark): the community provides information and better access to training opportunities (Aydemir 2012, in Canada) and can produce positive human-capital externalities that increase productivity (see box 2.4).

This ambiguous effect of community size has motivated scholars to investigate more precisely the dynam-

ics of the community effect. For Germany, Battisti et al. (2016) find an initially positive effect of the migrant community, which declines and becomes negative over time. Clark and Drinkwater (2002) in the United Kingdom find a negative non-linear effect that declines as the size of the community increases. Our own research on how communities influence migrant wages in Italy and Germany finds similar non-linearities:²⁰ for Italy, we observe a negative effect on migrant wages that declines and becomes positive when the community size reaches 2.3 percent of the province population. This means that several communities of Albanians and Romanians, which reach this critical concentration in Italian provinces, positively affect the wages of their co-nationals (see figure 2.7). In our analysis of Germany, the community of co-nationals has no significant effect in either direction. However, when delineating the community in terms of common languages

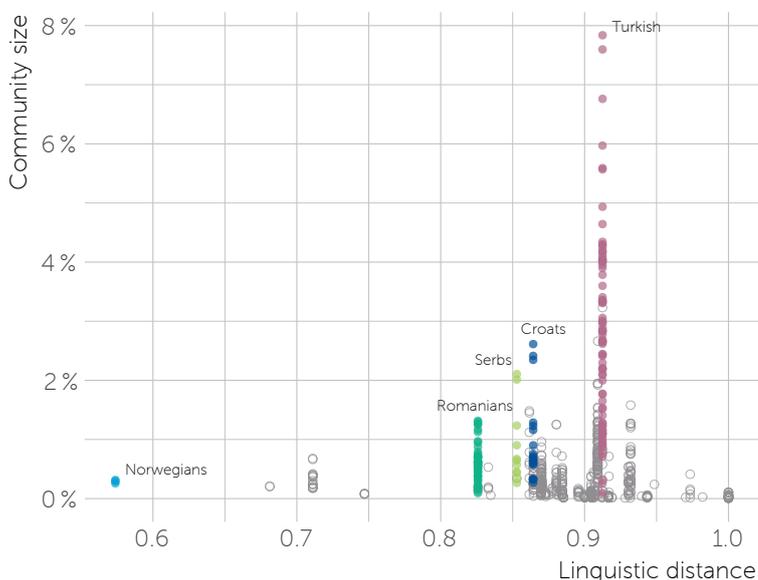
²⁰ A forthcoming MEDAM Working Paper by Hoxhaj et al. on "Linguistic distance and integration of migrants at local level" uses the WHIP (administrative) dataset for Italy and the German Socio-Economic Panel.

Figure 2.7 Community size and distribution by linguistic distance in Italy



Source: Source: Own calculations based on social security data for 2011.

Figure 2.8 Community size and linguistic distance, 2013 (Percentage of the community population by nationality and district conditioned on their respective linguistic distance to German)



Source: Own calculations based on German Socio-Economic Panel data, 2016, German Central Register of Foreign Nationals (AZR) data, 2017, and Melitz and Toubal (2014).

we find a non-linear positive effect of community size on migrant wages that flattens out as the community increases. So Turkish migrants in Germany, whose community size can reach more than 7 percent of the district population, do not actually benefit from higher wages compared with, for example, immigrants from former Yugoslavian countries (see figure 2.8).

The size of the community alone only tells part of the story. Host-country language proficiency is another important determinant of a migrant’s success in the labor market. Our research accounts for the language proficiency at the community level by using the linguistic distance/proximity²¹ between that community and the host-country language. Chiswick and Miller (2004) for the United States and Canada show that the greater the linguistic distance of immigrants’ native language from English, the poorer, on average, is the language proficiency of those individuals. Even so, as argued by Wodak (2017), language and culture change over time as individuals, and more generally their communities, tend to become assimilated into the host-country society. In our analysis we are not able to take into account explicitly this changing effect.²² Figure 2.7 shows that four of the largest communities in Italy—Romanians, Albanians, Moroccans, and Chinese—are very different linguistically, with the more linguistically distant communities rarely being very large.²³ In order to capture the effect of the linguistic dimension, we interact the community size with the respective linguistic distance. That is, we want to understand whether the effect of a community’s size depends on the linguistic distance between the respective community and the host population.

The results suggest that the negative effect of community size increases when those communities are more different linguistically from the host population.²⁴ Yet, for communities of Romanian, Argentinian, and Peruvian descent—and more generally communities that are linguistically very close to the Italian population²⁵—this result does not hold true. These nationalities are less likely to create detrimental agglomerations and language is unlikely to constitute a hurdle to their economic success.

Similarly, we find that in Germany the effect of community size is moderated by the linguistic proximity between the migrant community and German. Therefore, only large communities that are linguistically close to German exert a positive effect on their migrants’ wages; large and linguistically distant communities in turn reduce their average wages. According to this finding, the largest

²¹ We use the Max Planck index to measure linguistic distance. The Max Planck measure, also called Levenshtein linguistic distance, uses the phonetic distance between most used words. The distance is 0 if the language is the same and 1.06 if languages are extremely different. Alternatively, we use the measure of proximity proposed by Melitz and Toubal (2014).

²² We do not expect any relevant distortion given that this propensity/ability of communities to change is strongly correlated with their initial linguistic distance.

²³ Except for the Chinese community in Prato.

²⁴ The marginal effect of the interaction between the community size and the linguistic distance is negative and increasing with linguistic distance.

²⁵ This group includes all Latin language-speaking countries.

Turkish communities in figure 2.8 in fact reduce the wages of their members.

In conclusion, both cases demonstrate that the combination of community size and its respective linguistic distance is able to reconcile the ambiguous effect found in the literature. Community network effects on wages should be examined conditional on language distances, so that the changing role of migrant communities in the labor market outcomes of their members can be estimated correctly.

The effect of community diversity on migrant wages

The previous section analyzed the effect of local communities on the wages of migrants. This subsection aims to understand, instead, the effect that the diversity of the population may have on the wages of migrants and locals. The definitions of diversity we use are explained in box 2.5.

Diversity implies the presence of different national groups specialized in different jobs and employed in

different sectors with a high potential of creating synergies and complementarities between themselves and locals. Hard and soft skills are diversified, generating an atmosphere that favors innovation and efficiency. If firms are able to select the most suitable expertise they become more productive and innovative. The empirical research on the impact of migrants on innovation measured as patent citations or total factor productivity or GNP per capita indicates a strong positive role of high-skilled foreign workers, especially in high-tech sectors (Alesina et al. 2016; Venturini et al. 2018). As Jacobs (1969) suggested, the diversity of countries of origin in New York after the Second World War was a multiethnic laboratory for innovation.

On the one hand, a multiethnic and multicultural environment can be positive for locals because they can consume a greater variety of goods and services. Local workers' productivity may also benefit from sharing experiences with people from different backgrounds and by learning and applying new methods of work or new ideas. For Germany, Akay et al. (2017) find that the

Box 2.5 How do we measure diversity?

Two measures of diversity are widely used in the literature. The first measure of diversity is the share of foreigners (the ratio of the foreign and total population in a given region). This is a very rough measure of diversity since it just tells us the percentage of the population that is linguistically and culturally different from the host population. This measure is frequently used, however, to investigate if and to what extent the concentration of migrants in an area influences the wages of both immigrants and local workers. Most studies argue that in highly segmented labor markets a large share of immigrants could lead to their segregation in low-skilled sectors with low wages and few opportunities for professional advancement. In contrast, the productivity and thus the wages of locals may benefit from complementarities with immigrants.

The second measure of diversity is the Herfindahl index.^a It takes into account the degree of heterogeneity of a given territory in terms of nationalities and also the relative shares of those nationalities within the territory. The index approaches the highest diversity score when there is a large number of nationalities of relatively equal size. To take into account the linguistic/cultural dimension of diversity, we also weight the Herfindahl index with the linguistic proximity between

locals and each migrant group.^b Akay et al. (2017) build a similar index by weighting the Herfindahl index with the genetic distance intended as a proxy for cultural distance. It could be argued that the language proximity is able to capture contemporaneously both the cultural and the linguistic effects as (i) nationalities sharing a similar language are likely to be influenced by each other's culture through lower communication barriers; and (ii) language proximity per se captures the effectiveness of exchanges between different nationalities.

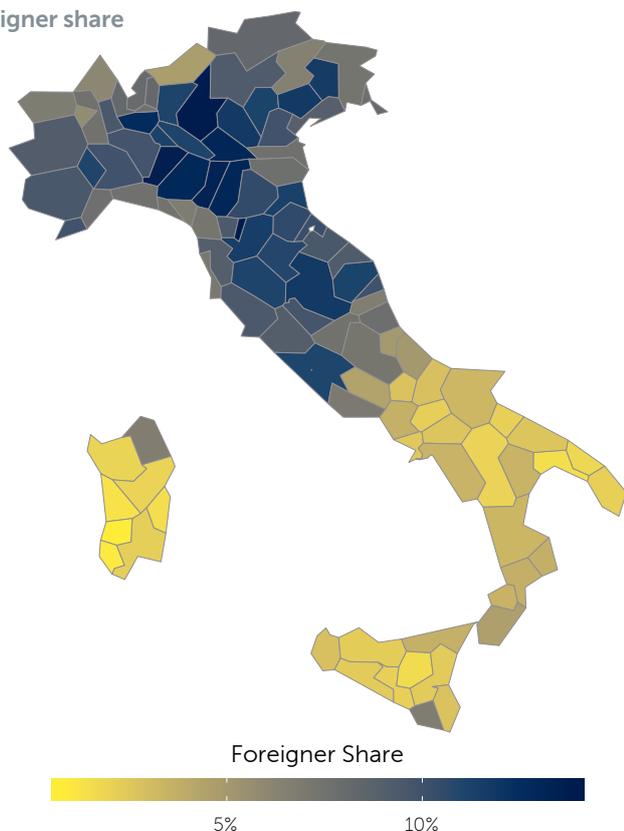
The difference between the simple and the weighted index is illustrated by the following example: Suppose we have two regions in Italy that have the same number of foreign nationalities, say three. These nationalities are equally concentrated in both regions. For these regions, the Herfindahl index will be the same, as it just captures ethnic fractionalization. Suppose now that the first region is composed of the same shares of French, Spanish, and Romanian people, while the second area is composed of the same shares of Chinese, Gambian, and Norwegian people. The first region is more homogeneous, as those nationalities are very close to the Italians in terms of culture and language while the second is quite heterogeneous and distant.

^a The formula of the Herfindahl index is $H=1-\sum_c \left(\frac{m_{cd}}{m_d}\right)^2$, where m_{cd} denotes the number of migrants from country c living in district d and m_d is the total number of immigrants in the district. The index ranges from 0 (a low degree of diversity) to 1 (the highest degree of diversity). This index excludes the host population because we aim to investigate how the diversity 'within' the immigrant population and not 'with respect to locals' affects the wages of local workers.

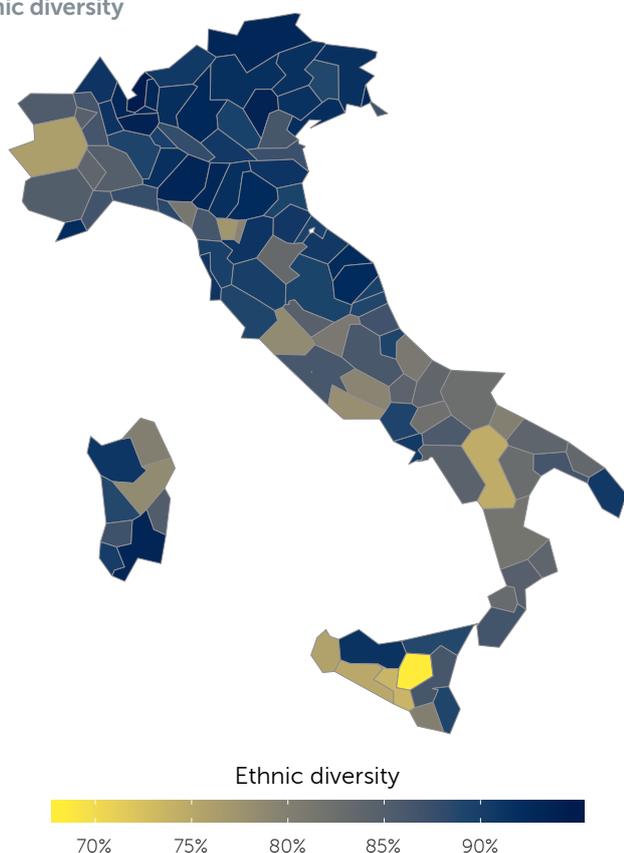
^b Following Alesina et al. (2016), we weight the Herfindahl index in a way that gives more or less importance to nationalities of a certain linguistic proximity to the Italian language and the German language. The weight applied has the following formula: $w_c=2/(1+e^{-d_c \cdot q})$, where d_c is the linguistic proximity of each nationality c to Italy or Germany and q has 2 extreme values: -10 (for linguistically closer countries) and 10 (for linguistically distant countries).

Map 2.6 Foreigner share and ethnic diversity in Italy, 2011

a. Foreigner share



b. Ethnic diversity



positive effect of ethnic diversity on the well-being of the host society is stronger in relation to immigrants who are culturally closer to Germany. They argue that the ethnic diversity mostly improves the productivity of less wealthy Germans. Suedekum et al. (2014) find that the positive effect of diversity on local workers in the German regional labor market is transmitted mainly by foreign high-skilled workers. To our knowledge, no study investigates the impact of diversity on the wages of immigrants.

On the other hand, the ethnic fractionalization of a territory may entail increased coordination and communication costs and it could thus lower performance and productivity at the aggregate level. Stark differences in culture, language, and lifestyle may also induce the segregation of immigrants in areas that offer fewer job opportunities and lower wages. If the latter effect of diversity prevails, the host population will likely benefit in terms of consumption but not in terms of remuneration, while migrants will likely earn lower wages.

Maps 2.6 and 2.7 show that the two measures—foreigner share and the Herfindahl index—are similar but capture different dimensions of diversity. In Italy, the migrant share and diversity index are not equally distributed across provinces (see map 2.6). Differences are more evident in the north. In particular, the province of Piedmont hosts a large number of immigrants, who come from a limited number of origin countries. Differences are even more pronounced in Germany (see map 2.7): East Germany, which has the lowest share of migrants (except for Berlin) exhibits the highest degree of diversity. The migrant population in East German districts is low but composed of a large number of nationalities of relatively equal size. West Germany, by contrast, accommodates large and more clustered communities of immigrants.

Our research finds that the share of migrants has a negative effect on the wages of immigrants in Italy. The Herfindahl index, on the other hand, is positively associated with the wages of immigrants. This result suggests that the wages of immigrants tend to be lower in provinces with a large share of immigrants likely due to labor market segmentation and to a competition effect. But for given shares, the average wage of immigrants is higher if the territory is heterogeneous in terms of nationalities. Therefore, it seems that the specialization of different nationalities and the combination of their hard and soft skills increase their productivity. For the locals both the concentration of immigrants and ethnic diversity at the province level have a positive effect on their wages. Results also show that the language/cultural dimension of diversity matters. The effect of ethnic diversity on the wages of locals is positive when the immigrants residing in the province are culturally/linguistically closer to the Italian population, while the effect is not relevant when they are more distant.

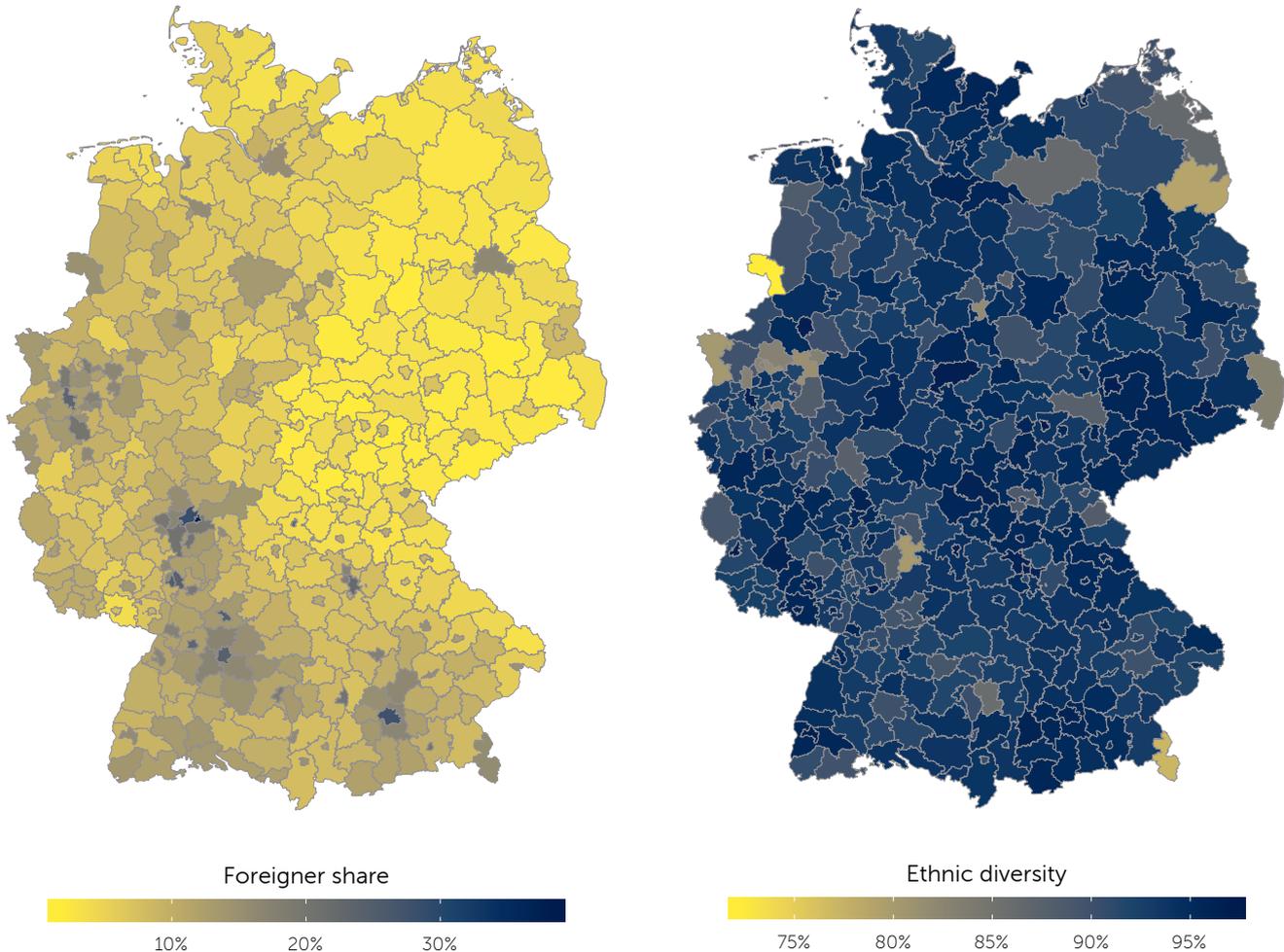
In Germany, our findings suggest that locals' wages also benefit from immigrants; however, it is not the

Source: Own calculations based on data from GISCO - Eurostat (European Commission); administrative boundaries from EuroGraphics, UN-FAO, and Turkstat (© EuroGeographics © UN-FAO © Turkstat)

Map 2.7 Foreigner share and ethnic diversity in Germany, 2015

a. Foreigner share

b. Ethnic diversity



Source: Own calculations based on data from Destatis; administrative boundaries derived from GeoBasis (© GeoBasis-DE / BKG 2018)

diversity of the population that seems to matter. Instead, the number of foreigners exerts a positive but decreasing effect that likely reflects the higher productivity in urban districts compared with rural areas in East Germany that have virtually no foreign-born population. Wages for immigrants, on the other hand, actually decrease with a higher degree of diversity in Germany, which suggests that migrant labor markets are not as segmented as in Italy, and so competition takes place among all foreigners, irrespective of their nationality.

Policy conclusions

This section highlights the very important role played by the institutions, productive structures, and types of welfare states in explaining observed differences in the labor market integration of migrants. In particular, it points to the difficulties of exporting ‘best practices’ from one country to another, especially when seemingly similar realities present striking differences at

higher levels of aggregation. More in general, we point out that for a practice to become ‘successful’ it should be highly tailored to accommodate the characteristics and functioning of the area where it is implemented.

The second conclusion—which follows the intuition of the seminal research of Hatton and Leigh (2011)—is that the labor market outcomes of migrants depend on the interactions between migrant communities and the host society. Linguistic proximity with the host population favors these interactions and thus the migrants’ integration into the labor market. We also find that the negative role played by large communities is moderated by linguistic proximity. Thus, large and linguistically distant communities are much more likely to reduce migrants’ wages. Hence, policy interventions promoting the linguistic attainment of migrants should be prioritized in cases where a high degree of clustering of migrants’ communities is compounded by a larger linguistic distance from the language of the host country.

Furthermore, policy attention should not be limited to the linguistic proficiency of migrant workers. It should be extended to the migrant community as a whole, which deserves dedicated linguistic investment that explores new and different ways of teaching and learning, tailored to the needs of migrants. For instance, this may involve courses being held at the workplace or in locations where other activities are undertaken by the migrant's family members.

The last conclusion points out that both the share of migrants at the local level and the heterogeneity of

areas in terms of different nationalities are assets for the host population. However, for migrants the effect of diversity is more nuanced and depends on the extent to which the labor market is segmented. The more segmented it is, the more migrants compete among themselves and the effect on wages becomes negative. These results suggest that in addition to local labor market structures, policies guiding the spatial distribution of asylum seekers should also take into account both the size of the migrant population and its ethnic composition at the local level.

2.4 The macroeconomic effects of refugee immigration

Lead author: Dominik Groll

In both the public debate and economic research, when it comes to the economic effects of immigration in the host country, immigrants are viewed almost exclusively as workers. Immigrants increase the supply of labor in the host country, competing with residents for the same number of jobs and thereby pushing down their wages. This view is obviously distorted, as it takes no account of the numerous other ways immigrants affect residents economically. Most importantly, immigrants are not only workers but also consumers. Thus, immigrants always increase both labor supply and labor demand.

By focusing on the labor supply side, the vast majority of empirical research disregards the numerous feedback effects of immigration on the rest of the economy (so-called 'general equilibrium' effects). This over-estimates the potential negative effects on wages and neglects the effects on economic outcomes other than wages. A comprehensive picture therefore must also take into account the effects on employment, the capital stock, redistribution through the welfare system, and so on.²⁶

This section first provides an overview of the most important ways immigrants affect residents economically and then presents a model-based quantification of the effects of the refugee immigration in Germany.

What are the economic effects of immigration in the host country?²⁷

Immigrants as workers

The effect of immigration on the host country that has received by far the most attention in economic research is the price effect of competition and complementar-

ity. If immigrants differ from residents in their skills, immigration leads to a change in the composition of the workforce. If the share of low-skilled workers is higher among immigrants than among residents, the low-skilled workforce increases by more than the high-skilled workforce, changing the relative supplies of the different skills in the economy. This puts downward pressure on the wages of low-skilled residents because low-skilled labor becomes relatively more abundant (the competition effect dominates). It also puts upward pressure on the wages of high-skilled residents because high-skilled labor becomes relatively scarcer (the complementarity effect dominates).

At the same time, the increase in the number of workers leads to a decline in the capital intensity of labor: the average worker is equipped with less physical capital. As one of the key determinants of labor productivity, the decline in capital intensity immediately leads to a decline in labor productivity, putting downward pressure on wages. However, this effect is only temporary. The flipside of a lower capital intensity of labor is that the capital stock is operated by more workers, leading to an increase in capital productivity. As a result, firms increase investment in physical capital until the old capital-labor ratio is restored. Labor productivity and wages rise to their initial levels. In addition, the increase in the capital stock raises income for capital owners. To the extent that the capital stock is owned by residents, their income increases due to immigration.

More recently, the economic literature has suggested an additional labor market channel (the employment-cost or job-creation effect) through which resi-

²⁶ Taking account of the general equilibrium effects of migration "is one of the greatest challenges in the migration literature and...more research is needed in this area" (Borjas and Monras 2017, 412).

²⁷ This subsection heavily draws on, but also adds to, Bodvarsson and Van den Berg (2013), who provide a comprehensive treatment of the economic effects of immigration.

dents can benefit from immigration (Chassamboulli and Palivos 2014; Battisti et al. 2017). The empirical evidence suggests that immigrants earn lower wages than residents even if they have the same labor market characteristics (such as skills). One reason for this could be that immigrants have a lower outside option when bargaining over their wages, which could be due to a higher disutility from being unemployed (e.g., a lack of social networks) or lower unemployment benefits. If immigrants earn lower wages, an increase in the share of immigrants lowers the expected employment costs for firms, so they post more job vacancies. Both immigrants and residents benefit from the higher number of available jobs, and it benefits even those residents who have the same skills as immigrants and who therefore face the strongest competition from immigration.

On a more aggregate level, immigrants have the potential to increase labor market efficiency, contributing to wage convergence across regions in the host country (Borjas 2001). Immigrants have already borne the high (economic and social) costs of emigrating from their home countries. If immigrants remain more mobile than residents after having immigrated, they will respond more strongly to changing labor market conditions across regions in the host country, moving to regions that offer better economic opportunities. As a result, labor mobility within the host country increases, facilitating the necessary adjustment in response to changing economic conditions.

Though being less mobile than immigrants, residents themselves might also respond to immigration by moving to other labor markets. In the longer run, this includes moving not only to other regions or sectors, but also into other occupations and skills. This internal migration response by residents counteracts or even eliminates potential negative effects on wages and employment.

Immigrants as consumers

An effect that usually receives very little attention relates to the fact that, like all residents, immigrants are not just workers but consumers as well.²⁸ As a result, immigration increases demand for goods and services that are produced in the host country. The increase in aggregate demand and the subsequent increase in production raise the demand for labor. Thus, immigration always increases both labor supply *and* labor demand. The size of this effect depends, among others, on the immigrants' consumption preferences (tastes), their propensity to consume, and their inclination to remit part of their income to their countries of origin.

Immigrants as taxpayers and benefit recipients

On the one hand, immigrants pay taxes and contributions to social security. On the other hand, they

receive benefits and consume publicly provided goods (e.g., education and infrastructure). If immigrants turn out to be net contributors to the welfare state, residents benefit from lower tax rates. By contrast, if immigrants turn out to be net recipients of the welfare state, residents suffer from higher tax rates. Two key determinants of whether immigrants are net contributors or net recipients are their probability of being unemployed and the level of wages they earn. If immigrants are subject to higher unemployment rates than residents, they pay fewer taxes and receive more unemployment benefits than residents. Expenditures on unemployment benefits increase by more than the revenues from taxes, so the tax rate rises, leading to a decline in the disposable income of residents. The tax rate needs to rise also if immigrants earn lower wages than residents but consume publicly provided goods to the same extent.

Immigrants affect the public transfer systems also through their age structure, which often differs from that of the host population. For example, if the host country maintains a pay-as-you-go statutory pension system (like Germany) and if immigrants are on average younger than the host population, they improve the relation between the retired and the working-age population (old-age dependency ratio). The size of the benefit for residents depends crucially on the immigrants' labor market participation rate, unemployment rate, and income levels.

Immigrants as entrepreneurs

Not all immigrants support themselves as workers or employees; a certain fraction of immigrants start their own businesses and become self-employed. As immigrants often come from countries with different consumption preferences, lifestyles, and cultural backgrounds, they tend to introduce foreign goods and services into the host economy. As a result, residents benefit from a greater variety of consumption possibilities (provided they have a 'love for variety'). Classic examples include foreign restaurants, music, and art.

Immigrants and market size

As immigration leads to an increase in the population of the host country, the market size for non-tradable goods and services increases. This can have various beneficial effects for residents. In a larger market, more specialization and exchange are possible. A prominent example is the positive effect of low-skilled immigration on the labor supply of high-skilled women in the United States (Cortés and Tessada 2011). As low-skilled immigrants work disproportionately in service sectors that are close substitutes for household production (such as cleaning, gardening, and childcare), the relative price of these services has fallen. As a result, high-skilled women have increasingly purchased these services by immigrants on

²⁸ According to Bodvarsson and Van den Berg (2013, 110), "the *demand* effect of immigration...has been largely unaddressed by the mainstream economics literature. This is a major failure of this field of economics" (emphasis in the original).

the market, as their opportunity cost of producing the services themselves has increased. This has allowed them to increase the working time in their regular jobs. Similar effects have been found for Germany and other countries as well (Forlani et al. 2015; 2016).

The rate of innovation may also increase with market size. If innovation requires a fixed cost, the profits from innovation are higher the larger is the size of the market. As a result, more resources are devoted to innovations. Simultaneously, a larger market usually leads to more specialization, and more specialization is likely to increase the rate of innovation. In addition, a larger market can lead to economies of scale in production, lowering prices and therefore the cost of living for residents.

How strong are the effects of the refugee inflow in Germany?

We use the general equilibrium model of Battisti et al. (2017) to quantify the economic effects of the refugee inflow that took place between 2015 and 2017 on residents in Germany.²⁹ The group of residents encompasses not only the native population but also incumbent immigrants who were living in Germany prior to the refugee inflow.³⁰ Of course, this model does not contain all the different transmission channels of immigration presented above—in fact no model does. But it contains important general equilibrium effects that are not present in many empirical studies, which by construction often identify only partial effects.³¹ The effects presented should be viewed rather as long-run effects, i.e., after the capital stock has adjusted to restore the old capital-labor ratio.³²

The model contains the traditional price effect of competition and complementarity, the employment-cost effect, the aggregate demand effect, the tax effect of unemployment benefits and publicly provided goods, and the capital-income effect (for details see above). Capital as well as low-skilled and high-skilled labor are complements in production. Within each skill group, native workers, incumbent immigrants (excluding refugees), and refugees are perfect substitutes.³³ At the same time, they differ in terms of their unemployment rates and their wages. Native workers are less likely to be unemployed and earn higher wages than immigrants, while immigrants are less likely to be unemployed and earn higher wages than refugees, as is supported by the empirical evidence. In the

model, the wage gaps are due to lower outside options when bargaining over wages.³⁴ The different unemployment rates are due to different job-separation rates, implying different average job durations for native workers, immigrants, and refugees. Finally, a proportional labor income tax is raised to finance income-dependent unemployment benefits and publicly provided goods. The parameters of the model are calibrated to match important stylized facts of the German economy, in particular regarding unemployment rates and wage gaps for low-skilled and high-skilled native workers, immigrants, and refugees.³⁵

The net income for each group is defined as follows:

$$W=(1-u)(1-t)w+u b+g+r k$$

It consists of wage income (w) after taxes ($1 - t$) multiplied by the probability of being employed ($1 - u$) plus unemployment benefits (b) multiplied by the probability of being unemployed (u) plus a lump-sum transfer of publicly provided goods (g) plus interest income (r) from capital (k). Unemployment benefits are proportional to net wages. For immigrants and refugees, unemployment benefits may include an additional disutility from being unemployed, a term that effectively reduces their income while being unemployed (outside option).

Baseline results

Between 2015 and 2017, a total of 770,000 asylum seekers received a positive decision on their asylum application in Germany (i.e., refugee status or subsidiary protection). While around 70 percent were between 16 and 64 years old (corresponding to the working-age population) at the time of their asylum application, we include those who are younger than 16 years old in the calculations as well, as they will enter the working-age population in the long run.³⁶ In line with the assumptions of the Federal Employment Agency, we assume a participation rate of 75 percent, which results in 578,000 refugees who enter the labor market. Compared with the total workforce in Germany prior to the refugee inflow, this corresponds to an increase of the total workforce by roughly 1.4 percent. Around 61 percent of refugees have received primary schooling and 39 percent secondary or tertiary schooling (Brücker et al. 2016). As a result, the low-skilled workforce (primary education) increases by 4.4 percent and the high-skilled workforce (secondary and tertiary education) by 0.7 percent. In the following discussion, the different

²⁹ We would like to thank Philipp Paetzold (College of Europe, Bruges) for invaluable research assistance on this part of the analysis.

³⁰ The distinction between the native population, incumbent immigrants, and refugees is the only departure in terms of the model structure compared with Battisti et al. (2017), who only distinguish between the native population and incumbent immigrants.

³¹ Which empirical approaches identify partial wage effects and which identify the total wage effects of immigration are described, e.g., in Dustmann et al. (2016).

³² Note that, by assumption, residents cannot respond to the refugee inflow by moving into other skill groups, although this could be an important long-run adjustment margin in practice. Likewise, refugees cannot change their skills by assumption, although this is likely not true in the long run (intrinsic decision, current policies to increase language skills and professional education).

³³ The assumption that refugees are perfect substitutes for residents in the same skill class tends to overestimate the negative competition effects for low-skilled residents, as the empirical evidence points toward imperfect substitutability (e.g., Ottaviano and Peri 2012).

³⁴ By contrast, the bargaining power is identical for all groups.

³⁵ The most important data sources for the calibration of the model are Battisti et al. (2017), Eurostat, Brücker et al. (2016), and Beyer (2016). Note that, depending on data availability, the statistics for native workers and incumbent immigrants are either based on birthplace or nationality.

³⁶ This amounts to the remaining 30 percent as the share of refugees 65 years old and older is negligible.

Table 2.1 Macroeconomic effects of the 2015–17 refugee inflow in Germany

Changes due to refugee immigration	Low-skilled		High-skilled	
	Native workers	Incumbent immigrants	Native workers	Incumbent immigrants
a. Aggregate demand effect, price effect				
Wage (%)	-1.34	-1.37	0.21	0.21
Unemployment rate (% pts)	0.16	0.20	0.00	0.00
Tax rate (% pts)	0	0	0	0
Net income (%)	-1.51	-1.59	0.21	0.20
b. Aggregate demand effect, price effect, unemployment benefits				
Wage (%)	-1.20	-1.22	0.19	0.19
Unemployment rate (% pts)	0.21	0.25	0.00	0.0
Tax rate (% pts)	0.11	0.11	0.11	0.11
Net income (%)	-1.43	-1.47	0.08	0.08
c. Aggregate demand effect, price effect, unemployment benefits, publicly provided goods				
Wage (%)	-0.85	-0.85	0.15	0.16
Unemployment rate (% pts)	0.44	0.52	0.05	0.10
Tax rate (% pts)	0.48	0.48	0.48	0.48
Net income (%)	-0.72	-0.72	-0.48	-0.48
d. Aggregate demand effect, price effect, unemployment benefits, publicly provided goods, capital income				
Wage (%)	-0.85	-0.85	0.15	0.16
Unemployment rate (% pts)	0.44	0.52	0.05	0.10
Tax rate (% pts)	0.48	0.48	0.48	0.48
Capital income (%)	0.79	0.79	0.79	0.79
Net income (%)	-0.47	-0.46	-0.28	-0.27
e. Aggregate demand effect, price effect, unemployment benefits, publicly provided goods, capital income, employment-cost effect				
Wage (%)	-1.09	-1.27	0.23	0.49
Unemployment rate (% pts)	0.01	0.02	-0.10	-0.20
Tax rate (% pts)	0.29	0.29	0.29	0.29
Capital income (%)	1.10	1.10	1.10	1.10
Net income (%)	-0.28	-0.30	-0.01	0.30

Source: Own simulations based on a slightly modified version of the model by Battisti et al. (2017).

Note: Incumbent immigrants refer to immigrants (excluding refugees) who were already residing in Germany prior to the refugee inflow.

transmission channels are added to the model one at a time, in order to illustrate the direction and relevance of each effect (except for the aggregate demand effect, which cannot be switched off separately).

If only the aggregate demand and the price effect of competition and complementarity are active, the wages of low-skilled residents decline by a little less than 1.4 percent, whereas the wages of high-skilled residents increase slightly (table 2.1, panel a). As the immigration shock is concentrated in the low-skilled segment of the labor market, low-skilled residents suffer more from higher competition with low-skilled refugees than they benefit from complementarity with high-skilled refugees, whereas high-skilled residents benefit more from complementarity with low-skilled refugees than they suffer from higher competition with high-skilled refugees. In addition, unemployment rates increase slightly for low-skilled residents. As the refugees have higher job-separation rates, a filled job vacancy is less profitable for firms. As a result, firms post fewer vacancies, which reduces the job-finding rate also for residents, leading to higher unemployment rates. On balance, net income decreases for low-skilled residents by roughly 1.5 percent and increases slightly for high-skilled residents.

Adding unemployment benefits financed by labor income taxes changes the responses of wages and unemployment rates only marginally (table 2.1, panel b). Wages for low-skilled residents decrease a little less, which nonetheless comes at the cost of a slightly larger increase in unemployment rates. More importantly, the tax rate increases to finance higher expenditures on unemployment benefits, as refugees are more likely to be unemployed. A higher tax rate reduces net income for all residents. On balance, the decrease in net income for low-skilled residents and the increase in net income for high-skilled residents are a little smaller compared with the case without unemployment benefits.

Adding publicly provided goods changes the responses of net income more substantially (table 2.1, panel c). For low-skilled residents, the decline in wages is further muted at the expense of a stronger increase in unemployment rates. The tax rate also reacts more strongly. As refugees earn lower wages and are unemployed more often than residents, their contribution to tax revenues is less than proportional. Accordingly, the tax rate rises more substantially. Taken by itself, this reduces net income for all residents. However, publicly provided goods now constitute a part of net income, which does not respond to the immigration shock. As low-skilled residents receive lower wages and are unemployed more often than high-skilled residents but receive the same lump-sum transfer of publicly provided goods, the share of net income that does not respond to the immigration shock is larger than for high-skilled residents. This explains why the response of net income improves for low-skilled residents but

deteriorates for high-skilled residents compared with the case without publicly provided goods. High-skilled residents now also face a reduction in net income, even though they still benefit from an increase in wages.

Adding capital income mitigates the reduction in net income for residents (table 2.1, panel d). The increase in the total number of workers caused by the inflow of refugees leads to a reduction in the capital-labor ratio in the short run. As this raises the productivity of capital, firms increase investment. The capital stock rises until the old capital-labor ratio is restored. This leads to a corresponding increase in capital income. On balance, the reduction in net income for residents is attenuated.

Adding the employment-cost effect further improves the effects of the refugee inflow for all residents (table 2.1, panel e). Since refugees earn lower wages than residents with the same skills, the increase in the share of refugees in the workforce lowers the expected employment costs for firms. Firms post more job vacancies, which raises the chances of finding a job also for residents. As a result, the unemployment rate for low-skilled residents no longer increases, and the unemployment rate for high-skilled residents even decreases slightly due to the complementarity effect. Wages for high-skilled residents increase by more compared with the case without the employment-cost effect. Since the increase in the overall number of jobs is larger compared with the case without the employment-cost effect, the increase in the capital stock and in capital income is larger, and the increase in the tax rate is smaller, all of which props up net income for all residents.

All in all, regardless of whether residents see their net income decline or rise in response to the refugee inflow, the changes are relatively modest, ranging from -1.6 percent (table 2.1, panel a) to +0.3 percent (panel e).

Labor market integration of refugees

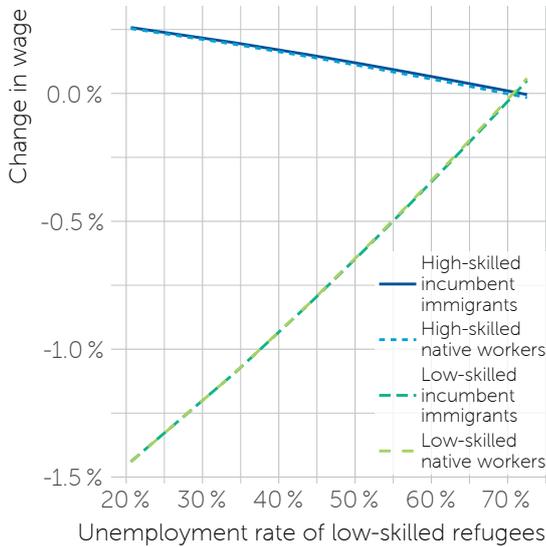
The degree to which the newly arrived refugees in Germany will be integrated into the labor market depends on many factors, in particular on labor market policies and institutions. These include not only active labor market policies to enhance the labor market integration of refugees, but also institutions like the statutory minimum wage and means-tested, basic income support, which potentially hamper the labor market integration of refugees due to less hiring by firms and lower incentives to work. Uncertain prospects regarding the permission to settle permanently in Germany can also represent an important disincentive to invest in language skills and country-specific human capital. In any case, the degree to which the refugees will be integrated into the labor market has an influence on how residents are affected by this immigration episode.

We repeat the simulation of the refugee inflow for a variety of different job-separation rates of low-skilled refugees.³⁷ With regard to wages, the consequences

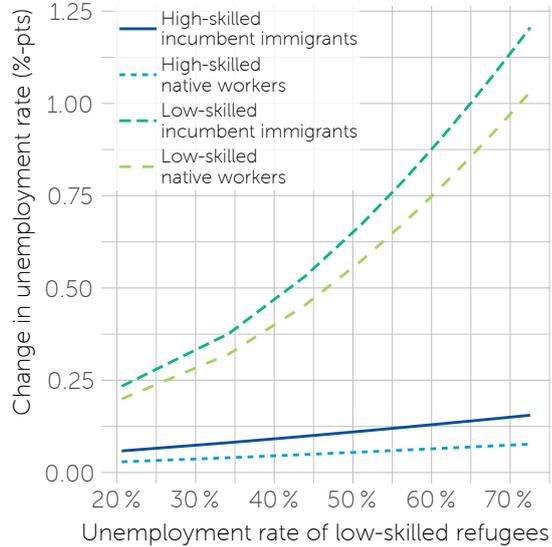
³⁷ This simulation is based on the model version without the employment-cost effect (see table 2.1, panel d).

Figure 2.9 Macroeconomic effects and labor market integration of refugees

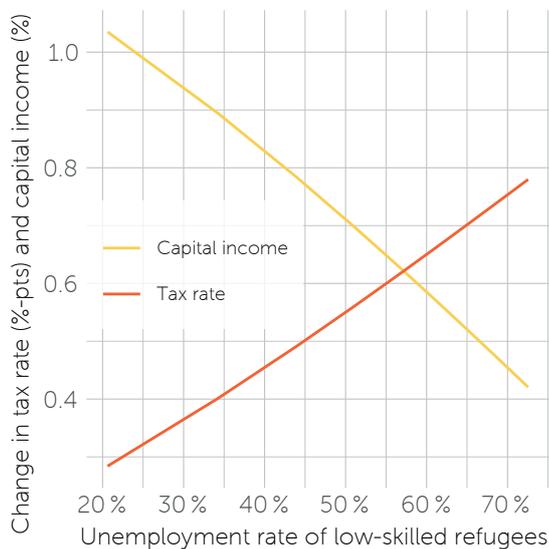
a. Change in wage (in percent)



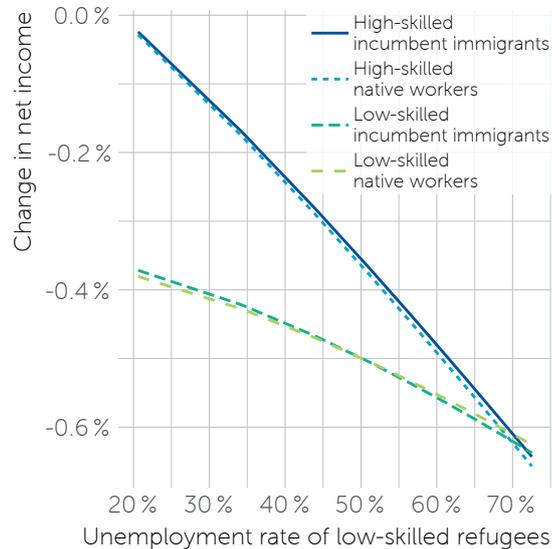
b. Change in unemployment rate (in percentage points)



c. Change in tax rate and capital income (in percentage points and percent, respectively)



d. Change in net income (in percent)



Source: Own simulations based on a slightly modified version of the model by Battisti et al. (2017).

Note: Results are based on the model version without the employment-cost channel (see table 2.1, panel d). Incumbent immigrants refer to immigrants (excluding refugees) who were already residing in Germany prior to the refugee inflow.

for low-skilled and high-skilled residents differ quite markedly. Whereas the response of wages deteriorates for low-skilled residents, it improves for high-skilled residents (figure 2.9, panel a). This is because both the negative competition effect for low-skilled residents and the positive complementarity effect for high-skilled residents strengthen as the unemployment rate

of low-skilled refugees declines. By contrast, all residents benefit from smaller increases in their unemployment rates (figure 2.9, panel b). Taken by itself, a lower job-separation rate of low-skilled refugees leads to higher profits for firms from a filled low-skilled vacancy and therefore to more low-skilled vacancies. As a result, the immigration-induced increase in the

unemployment rate for low-skilled residents becomes smaller, which in turn also benefits high-skilled residents due to complementarity. Finally, the lower is the unemployment rate of low-skilled refugees, the higher is the increase in capital income and the lower is the increase in the tax rate (figure 2.9, panel c). On balance, all residents benefit from a greater labor market integration of low-skilled refugees, as their net incomes respond more favorably to the immigration shock (figure 2.9, panel d).³⁸

This exercise highlights again the importance of jointly analyzing the various dimensions along which residents are affected by immigration. By looking at wages alone, one would have drawn the conclusion that low-skilled residents are worse off from a greater labor market integration of low-skilled refugees. In doing so, however, one would have disregarded the beneficial effects on their unemployment rate, capital income, and tax rate, which are strong enough to outweigh the negative wage effects.

Concluding remarks

According to this analysis, the macroeconomic long-run effects of the refugee inflow in Germany—be they negative or positive—are modest. This finding is consistent not only with the macroeconomic studies of immigration episodes in other countries (for an overview, see Bodvarsson and Van den Berg 2013) but also with the few macroeconomic studies on the refugee inflow in Germany (e.g., Stähler 2017). First, the size of the immigration shock is not very large to begin with compared to the size of the host economy. As the official unemployment statistics of the Federal

Employment Agency suggest, this also holds at the regional level for the individual districts.³⁹ The single most important reason for this is the *Königsteiner Schlüssel*, according to which incoming refugees are allocated across German states according to tax revenue (two-thirds) and population size (one-third). Second, an immigration shock triggers a variety of different effects, which work in opposite directions and therefore attenuate each other. For this reason, it is crucial to take into account the macroeconomic feedback effects and the various dimensions along which residents are affected by immigration.

Low-skilled residents are somewhat more negatively affected than high-skilled residents, since the refugees that have immigrated to Germany between 2015 and 2017 are predominantly low-skilled. This result, though, depends on the simplifying assumption that the skills of both residents and refugees remain unchanged in the long run. This is unlikely to be the case, especially given the fact that the majority of refugees is young enough to benefit from government efforts to increase the refugees' language skills and professional education.

On a more disaggregated level (e.g., by age) and in the short run, of course, the effects of immigration can be larger.⁴⁰ In general, there is a trade-off between quantifying the short-run effects of immigration on a very disaggregated level and taking into account the various macroeconomic feedback effects, which tend to come into play in the long run. Here, we have focused on the latter, as these effects usually do not receive much attention in public and academic discussions.

³⁸ It must be stressed that the potential costs of the policies associated with a better labor market integration of refugees are not included in this analysis, as they vary substantially depending on which policies are implemented. The costs of removing regulatory hurdles and disincentives are likely to be several orders of magnitude lower than the costs of improving language proficiency and skill levels. Depending on the costs and the necessary tax increase to finance them, the benefits for residents will be lower, at least in purely economic terms.

³⁹ In the most affected district (Salzgitter), there were 20 job-seeking refugees per 1,000 residents as of February 2018.

⁴⁰ See, e.g., Borjas and Monras (2017) for a very disaggregate analysis of the short-run effects of other historical refugee-immigration episodes.

3. Links between EU policies and countries of origin

Regular and irregular migration to Europe, along with the design and impact of policies for refugee protection and immigration in the EU, depend crucially on the incentives that potential migrants face in their countries of origin to either remain at home or to emigrate. In this chapter, we address five major issues that affect EU policy making from a potential-migrant and country-of-origin perspective.

First, because of the high risk of injury and death involved in irregular migration to the EU, especially along the Central Mediterranean route, observers often ask whether migrants are fully aware of these risks. If they are not, providing better information is a win-win strategy for reducing irregular migration. By contrast, if potential migrants are fully aware of both the risks and benefits of irregular migration, policies to reduce irregular migration to the EU need to focus on changing incentives: by helping to improve economic opportunities at home, offering legal alternatives to irregular migration, or managing borders more effectively. In section 3.1, we discuss how potential migrants use the information available to them to decide whether, and where, to migrate.

Second, many observers are concerned that rapid population growth in Africa as a whole will lead to much larger migrant flows to the EU in the coming decades. At the same time, it is striking that current migration from Africa to the EU is relatively small compared with migrant flows within Africa. In section 3.2, we explore the diversity of economic developments across African countries and the resulting potential for labor migration within Africa.

Third, refugees who seek protection in the EU typically do not come directly from their country of

origin, but from a neighboring country of first asylum. Secondary migration to the EU is often the result of precarious living conditions and a lack of economic opportunities in low- and middle-income host countries. Sufficient humanitarian support for refugees and development assistance for their host countries are necessary starting points (MEDAM 2017, section 2.1). Furthermore, refugees in protracted situations (that is, most refugees) need to be able to work in order to sustain themselves and live with dignity. In section 3.3, we discuss the international governance of the labor market integration of refugees, the situation on the ground, and measures to support host countries in granting more refugees the right to work.

Fourth, the need for more humanitarian and development assistance is now widely acknowledged to support countries that host refugees and to create economic opportunities that render irregular migration less attractive. However, aid allocation across sectors and recipient countries is inevitably time-consuming and may be slowed down further by vested interests. In section 3.4, we investigate aid allocation across recipient countries and find that the 2015 refugee movements have indeed led to a refocusing of aid toward refugees' host countries and migrants' countries of origin.

Fifth, when refugees are concentrated in particular locations within their host countries (for example, because they live in camps or close to their country of origin), external assistance may be required to create enough jobs quickly. In section 3.5, we assess EU trade preferences for Jordan to promote manufactured exports 'made by refugees' and discuss whether similar schemes could work elsewhere.

3.1 Before crossing the border: Understanding the role of information in irregular migration decisions

Lead authors: Nadzeya
Laurentsyeva and Afaf Rahim

This section investigates the role of information in forming expectations and in the decision-making process of irregular migrants. Using the available information, individuals form beliefs about the benefits and costs of migration and decide whether, where, and how to migrate.¹ Inaccurate information or biases in information processing can lead individuals to setting off on a risky irregular journey or using asylum channels for economic migration. If indeed would-be irregular migrants base their decisions on imperfect information, there is scope for policy interventions to reduce irregular migration flows by informing would-be migrants and correcting misconceptions before they make the move. Yet, it might well be that would-be irregular migrants can access all the necessary information, but when facing a high degree of uncertainty, serious risk, and social pressure, they are not able to process this information in their best interest. In this case, providing the information might not lead to the desired outcome if the design of the campaign does not take into account the psychosocial factors that influence irregular migrants' decisions. Finally, it could be the case that, while being marginally important, imperfect information or biases in its processing are not the decisive factors behind irregular migration. Changing the information available to migrants or counteracting biases might not have a large impact if the true economic benefits from migration are higher than all the associated direct and opportunity costs and if there are no accessible and affordable regular ways to migrate that could substitute for irregular options.

In this section we frame our discussion around three key questions. First, where do would-be irregular migrants obtain the information from and is this information incomplete or inaccurate? Second, if would-be migrants can access accurate information, what cogni-

tive biases may inhibit them from processing this information objectively? Obtaining answers to both of these questions is important for the design of policy measures, such as information campaigns: Is it sufficient to deliver information or also necessary to safeguard against potential biases in processing the information by applying nudges?² Third (and probably the most policy-relevant question), can information campaigns affect migration behavior, and if they can, what are the best ways to provide the information to would-be migrants? To shed light on these questions, we review the relevant academic literature and complement it with analysis of unique data collected by surveying transit migrants in Libya and across the Horn of Africa.³

Where does the migration-related information come from and how accurate is it?

Before making the decision to migrate or not, individuals gather information from various sources available in their countries of origin, ranging from the traditional media to social networks and the internet. In figure 3.1, panels a and b, we use data from the 2016 World Values Survey to illustrate the main sources of information used in countries from which the major flows of irregular migrants to the EU stem. As we cannot directly observe intentions to migrate irregularly in the survey data, we reweigh observations to make the calculated averages representative of the population group with characteristics similar to those of irregular migrants.⁴ As figure 3.1 shows, *traditional media*—TV, radio, and the press—are important sources of information: 87 percent of the population of interest report that they regularly obtain information from TV, 64 percent regularly use radio and 29 percent the press.

¹ See MEDAM (2017), section 4.1, for a general discussion of migrants' decision making under the expected utility-maximization framework.

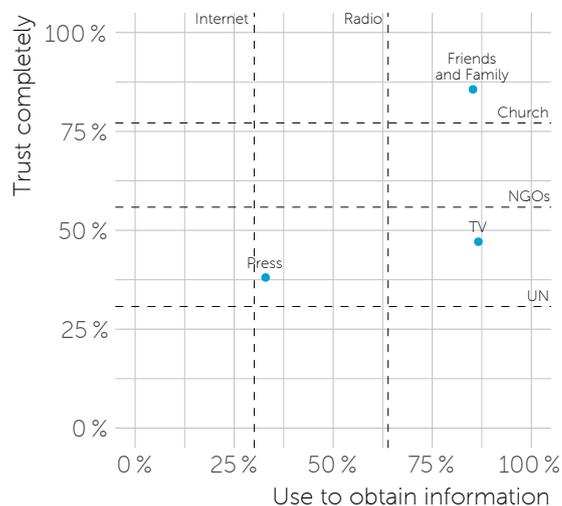
² Nudges are interventions designed to alter behavior and are defined as adaptations in the way choices are presented to individuals, explicitly using cognitive biases associated with risky behavior to encourage people to make choices that are in their best interest, without forbidding any options or significantly changing economic incentives. Thaler and Sunstein (2008), for instance, claim that in certain situations proper nudging can be as effective, if not more effective, than direct instruction, legislation, or enforcement.

³ We use two survey datasets. As part of their displacement tracking activities, the International Organization for Migration (IOM) runs regular surveys of transit migrants in Libya, mainly originating from West Africa. We employ rounds 8, 10, 11, and 12 of the Displacement Tracking Matrix (DTM) in Libya. The data were collected throughout 2017 and are publicly available (<http://www.globaldtm.info/libya/>). We henceforth refer to it in the text as 'IOM DTM' data.

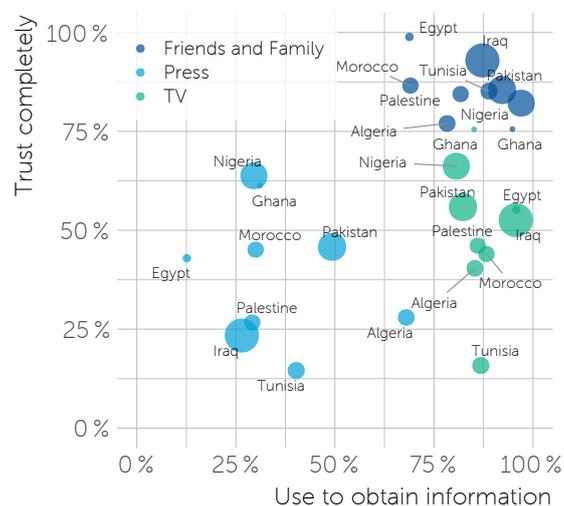
⁴ In order to calculate the weights, we used the IOM DTM survey of transit migrants in Libya (pulling data from rounds 8, 10, 11, and 12 with 11,867 observations in total) and then calculated the number of migrants in each group defined by gender, age, and education level. For instance, low-skilled men ages 36 and younger represented about 60 percent of all the surveyed migrants in Libya. We then calculated averages with the data from the World Values Survey while giving more (less) weight to groups more (less) likely to become irregular migrants.

Figure 3.1 Sources of information and their trustworthiness in selected origin countries of irregular migrants

a. Main sources of information and their trustworthiness in origin countries of irregular migrants



b. Cross-country differences in sources of information and their trustworthiness



Source: Own calculations based on World Values Survey (2016), IOM DTM (2017), and Frontex data, 2009–17.

Note: The sample includes weighted averages of responses in Nigeria, Ghana, Libya, Tunisia, Egypt, Morocco, Yemen, Palestine, Iraq, and Pakistan, reweighted according to the age, gender, and education profiles of irregular migrants surveyed in Libya (IOM DTM in Libya, rounds 8, 10, 11, and 12). The size of the circles in panel b is proportional to the number of irregular border crossings by the nationals of a given country to the EU (Frontex data on irregular border crossings, 2009–17). NGOs = nongovernmental organizations.

Box 3.1 Can traditional media affect migration behavior?

Several studies point to the importance of media for shaping migration behavior. Braga (2007) shows that Albanian citizens from regions with better reception of Italian TV were more likely to migrate to Italy as well as to other countries. She argues that Italian TV exposed Albanians to higher standards of living in developed countries, making migration far more attractive. At the same time, obtaining more information about distant locations by watching TV can also rectify overoptimistic percep-

tions of the likely payoffs of migration if individuals are initially ill-informed. Farré and Fasani (2013), for instance, evaluate the short- and long-term effects of more TV exposure on internal migration decisions in Indonesia. They argue that TV exposure reduced the likelihood of migrating internally, suggesting that without better access to information about other regions, Indonesians tended to overestimate their net gains from internal migration.

As box 3.1 highlights, traditional media can indeed influence migration behavior. Hence, not surprisingly, TV, radio, and the press have been widely used during information campaigns to prevent irregular migration.⁵

Yet, traditional media are not the most trusted sources of information in the analyzed countries: as figure 3.1 shows, only about 50 percent of the population report completely trusting information presented on TV, while even less—40 percent—completely trust

the press. Still, these averages hide cross-country differences: for instance, while information disseminated through TV and the press is likely to be well-received in Nigeria and Ghana (over 60 percent of the population trust these sources), using these channels to disseminate information in Tunisia will probably not be efficient (less than 20 percent of the population trust traditional media). Moreover, studies suggest that would-be irregular migrants tend to distrust

⁵ Recent examples include the information campaign by the Austrian government in Afghanistan in 2016, Danish ads in Lebanese newspapers in 2015 and the 'No economic asylum in Germany' campaign in Albania in 2015.

the traditional media, because they perceive it to be controlled by authorities with vested interests in discouraging migration (see, for instance, Hernández-Carretero 2008).

Social networks—friends and family—represent another significant information channel. Such networks are by far the most trusted providers of information: on average, 86 percent of the population report that they trust their relatives and friends completely. Many would-be migrants are likely to base their migration decisions on the information provided by their relatives and acquaintances already abroad. This information, however, might be distorted if migrants from the network hide migration-related hardships, exaggerate the attractiveness of the destinations, or simply are not fully aware of recent economic and political developments and migration policy changes in their destination countries. Elsner et al. (2017) argue and provide empirical evidence that more integrated networks can supply more accurate information about prospects in the destination country and thus help to reduce the ‘migrant error,’ i.e., taking a migration deci-

sion that turns out not to be optimal in retrospect. A well-integrated network could transmit actual information about labor market conditions in the destination, as well as effectively relay changes in the destination’s migration policies to would-be migrants. This once again highlights the importance of integrating immigrant communities in destination countries. Furthermore, given the relevance of social networks for would-be migrants’ decisions, it makes sense to target information (about changes in admission policies, restrictions in access to the labor market, etc.) at immigrants already residing in destination countries and, if needed, to facilitate regular communication between the immigrant diaspora and their origin countries.⁶

The *internet* as an information source ranks low in importance compared with other sources, but the penetration of online technologies and their information role in migration decisions have been rapidly increasing in the past years at least in some origin countries of irregular migrants (see box 3.2).

Some individuals will decide to migrate and will proceed with more targeted information collection.

Box 3.2 The internet and social media as information sources for migrants

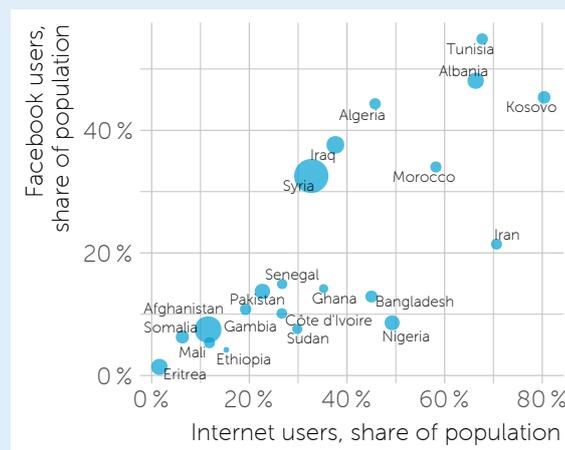
Over the past years, the penetration of the internet in developing countries has substantially increased. For instance, in 2000 less than 1 percent of the African population used the internet but by the end of 2017 this number had increased to 35 percent.^a Yet, as figure B3.2.1 shows, the internet and social media usage varies across the origin countries of irregular migrants. For example, while in Nigeria the internet penetration rate constitutes about 50 percent, in less economically and politically stable origin countries, such as Mali, Somalia, or Eritrea, less than 20 percent of the population use online technologies. The usage of Facebook does not fully correspond to usage of the internet, because of the presence of alternative media: Telegram, Skype, 2go, Eskimi, etc.

While figure B3.2.1 refers to the general population, the DRC MMC 4Mi data collected across the Horn of Africa provides insights on the actual usage of internet resources and social media by migrants already *en route*. Only 1 percent of the surveyed migrants reported using specialized websites to obtain the necessary information. At the same time, about 25 percent used social media prior to or during their journey. Among them, 40 percent of respondents used social media to access journey-related information; an even more important reason was communication with family and friends or smugglers.

^a Source: Internet World Stats (www.internetworldstats.com).

The most popular applications among migrants in the Horn of Africa were WhatsApp (41 percent), Facebook (36 percent), Viber (28 percent), and Imo (22 percent).

Figure B 3.2.1 Number of internet and Facebook users as a share of the population in selected origin countries of irregular migrants, 2017

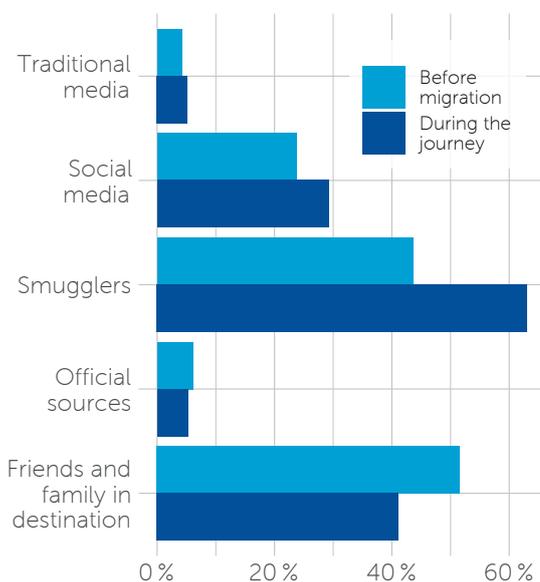


Source: Own calculations based on Internet World Stats (2018; www.internetworldstats.com) and Frontex data, 2009–17.

Note: The figure shows the estimated number of internet and Facebook users relative to the population of selected countries. The size of the circles is proportional to the number of irregular border crossings by the nationals of a given country to the EU (Frontex data on irregular border crossings, 2009–17).

⁶ In certain cases, immigrants cannot afford regular contact with their relatives and friends in origin countries due to persistently high communication costs. Batista and Narciso (2016), for instance, show that there is substantial scope to improve communication between immigrants in Ireland and their origin countries.

Figure 3.2 Main sources of information before departure and during the migration journey



Source: Reproduced based on DRC MMC 4Mi data.

Note: Traditional media includes TV, radio, and newspapers. Official sources include leaflets, sign boards, the UN, nongovernmental organizations, specialized websites, and authorities.

The next question is whether those who eventually decide to migrate irregularly differ in their choice of and trust in information sources.

Figure 3.2 uses the DRC MMC 4Mi data to show the main sources of information used by actual migrants across the Horn of Africa prior to departure and during the migration journey. Actual migrants prefer to gather specific journey-related information from the most trustworthy sources—friends and family already in the destination country. The roles of traditional media and official sources are minor. Interestingly, smugglers represent the second most important information source prior to departure; their importance further increases during the journey. While smugglers play a central role in irregular migration, due to the conflict of interest they are more likely to provide inaccurate information. A study by Hagen-Zanker and Mallett (2016) reports incidents of misguided information conveyed by smugglers to irregular migrants (e.g., regarding the trip cost, duration, and the number of travelers on the boat, or suggesting a migration route inconsistent with the Dublin agreement).

The results of the DRC MMC 4Mi survey are broadly in line with similar studies conducted by the IOM and Foreign & Commonwealth Office (2013) with Iraqi migrants and by the United Nations High Commissioner for Refugees (UNHCR 2016) with refugees from Afghanistan, Syria, Iraq, and Palestine.

Apart from inaccurate information about the migration journey, would-be irregular migrants might receive distorted information about post-migration conditions. Several studies show that migrants coming from Africa to Europe tend to overestimate the wages they could earn at a destination (Mbaye 2014; Hoxhaj 2015). However, only correcting the wage expectation is unlikely to exert a strong effect on the decision to migrate given the prevailing level of income disparity between the origins and destinations of irregular migrants. A number of studies show that workers from poor countries earn substantial place premiums by simply working in a developed country rather than their own country of origin. The magnitudes of these premiums remain high when calculated for specific low-skilled occupations with little returns to unobservable skills (e.g., a waiter) and when controlling for migrant self-selection (see Ashenfelter 2012; Clemens 2013; McKenzie et al. 2010; Ortega and Peri 2013). Therefore, if a counterfactual wage in Sub-Saharan Africa were constructed based on the observable characteristics of irregular migrants, a large difference between their actual income in Europe and what they would earn in the origin country would still exist. Such comparisons, though, make sense conditional on successful migration—safely reaching the destination and obtaining access to the labor market.

Forming realistic expectations about the probability of successful migration might thus be more critical. While several studies find that, in general, irregular migrants are well informed about the costs of the journey and its risk to life (Townsend and Oomen 2015; Hagen-Zanker and Mallett 2016), there is relatively less evidence on migrants' expectations regarding what will happen once they reach their final destination. For example, what is their expected probability of obtaining legal status or of gaining access to the labor market? Policy makers in destination countries often tighten these policies, aiming at making their countries less attractive for future irregular migrants, but do policies that are more restrictive indeed achieve their preventive goals and discourage future migrants from coming irregularly? A precondition for this to happen is that would-be migrants are aware of these policies before reaching the destination.

For instance, the DRC MMC 4Mi data show that 47 percent of migrants planning to go to the EU are confident of finding a job in their final destination country within the first six months after arrival. This is an overestimation given that the actual employment rates of recently arrived asylum seekers and refugees in the EU member states are much lower.⁷

To check for further distortions between migrants' expectations and reality, we analyze the IOM DTM survey responses of transit migrants in Libya. Among other questions, the survey asks about migrants'

⁷The IAB-BAMF German Socio-Economic Panel, for instance, shows that the employment rate of asylum seekers and refugees one year after their arrival in Germany is 13 percent (Kosyakova and Sirries 2017).

planned destination country (32 percent choose an EU destination) and the reason for choosing this particular destination.

If migrants have accurate information about asylum possibilities in a given destination, there should be a positive correlation between the actual acceptance rates and the share of migrants reporting a ‘good asylum prospect’ as a reason for choosing a particular destination. As figure 3.3 shows, however, this is not the case: on average, there is no systematic relationship.⁸ Misconceptions are also heterogeneous across destination and origin countries. For instance, migrants from Mali, Burkina Faso, and Niger seem to greatly overestimate the possibilities of asylum in Germany. Moreover, while acceptance rates in Germany are roughly the same for Senegal, Ghana, Niger, and Burkina Faso, there is substantial variation in the number of migrants from these countries choosing Germany because of perceived good asylum prospects, ranging from 7 percent for Senegal to 60 percent for Burkina Faso. In a similar way, expectations vary among migrants choosing Italy. In line with these observations, a study by the Migration Policy Institute (2015) also suggests that the understanding by migrants from Sub-Saharan Africa of EU migration policy varies in accuracy.

Apart from the quality of the available information, psychological and contextual factors can also influence the judgment and decision making of would-be irregular migrants. An assessment of the risks and benefits of irregular migration can be subject to cognitive biases, some of which we discuss in the next subsection.

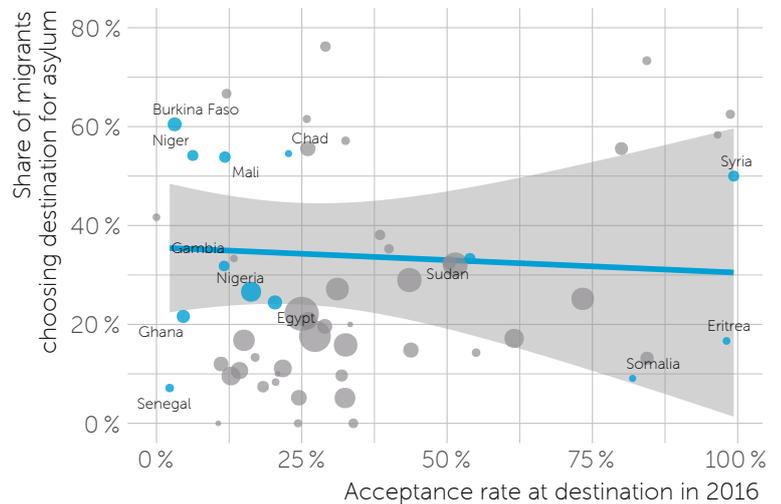
Information processing: Assessing costs and benefits of irregular migration

From an expected utility-maximization perspective, a would-be migrant carefully gathers and considers information to have a well-reasoned evaluation of costs and benefits associated with migration. However, behavioral decision research has demonstrated that the judgments and decisions of people can be subject to biases. Human information-processing capacity is bounded and prone to errors particularly when individuals make risky decisions, face uncertainty, or are subject to social influences—typical attributes of the irregular migration process. The complexity of a decision to migrate irregularly is likely to constrain migrants’ ability to correctly compute the expected utility of alternative actions. It is useful, thus, to highlight certain biases that often impair the judgment and choices that individuals make.

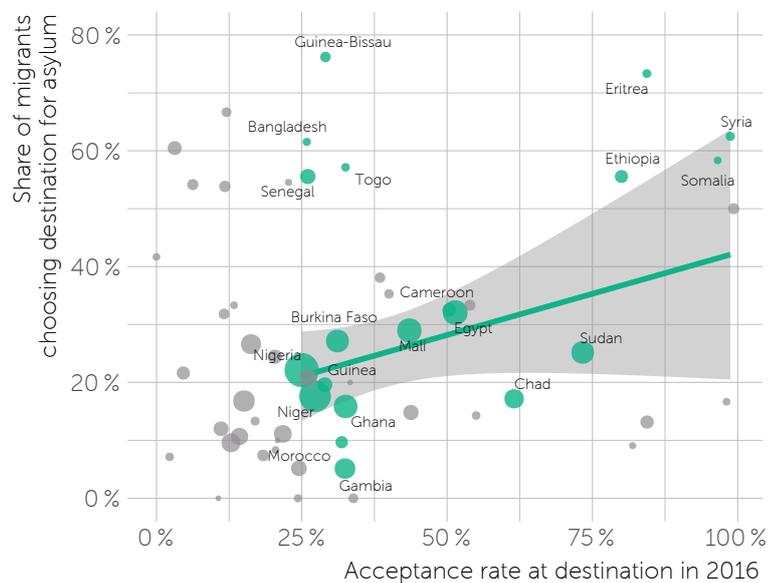
First, individuals have a tendency to selectively search for or interpret information in a way that confirms their preconceptions or hypotheses and to reject information that contradicts them (known in behavioral

Figure 3.3 Share of migrants choosing their destination because of asylum possibilities vs. actual acceptance rates of asylum applications

a. Highlighted destination—Germany



b. Highlighted destination—Italy



Source: Own calculations based on IOM DTM for Libya (rounds 8, 10, 11, and 12).

Note: Based on 3,715 observations. The x-axis presents the percentage of positive asylum decisions in a given EU destination for asylum seekers from a given origin country. The y-axis presents the share of migrants from a given origin choosing a given destination in the EU because of a good asylum prospect. Each share is calculated for at least 10 observations grouped by origin and reported destination. The scatter circles are proportional to the number of migrants from a given origin choosing a given destination. Panel a highlights the responses of migrants choosing Germany and panel b those of migrants choosing Italy.

⁸ The correlation coefficient estimated for all destination countries equals 0.14 (st. error = 0.10) and is not statistically significant. It is important to underline that the evidence presented only points at some information inaccuracies: in the IOM survey data, we cannot observe all the background characteristics of migrants in order to objectively estimate their chances of gaining asylum in the EU.

psychology as *confirmation bias*, see Wilke and Mata 2012). There is anecdotal evidence that irregular migrants tend to be selective about the type of information that they are prepared to receive or retain. The initial views and attachment to a migration idea can influence how subsequent information is interpreted and processed. Aspiring migrants often filter out risks and negative information and focus on success stories of former migrants and acquaintances.⁹ Moreover, it is conceivable that irregular migrants base their expectations on former migrants' stories and testimonies, resulting in what is known in psychology as *narrative bias*. Decision making using narrative reasoning is considered to be biased because individuals, when judging the probability of a risky prospect, extract information from a single experience or story and disregard statistical information, such as the likelihood of drowning or the chances of gaining asylum.

Second, would-be irregular migrants are often subject to *social influences*. An individual whose peers are involved in risky behavior (such as irregular migration) might miscalculate the personal payoff from the same activity. Such miscalculation could relate to social learning (see, for example, Bursztyn et al. 2014) and result in herding behavior. As Epstein (2002) put it, the case of migration herding implies that 'I will go where I have observed others go, because all those who went before me cannot be wrong, even though I would have chosen to go elsewhere.' While this quote refers to a sorting decision (where to migrate), it can well be extended to the decision to migrate irregularly or not. Facing uncertainty, individuals choose to dismiss private information while interpreting others' choices as more precise signals and learning from them. A policy solution would be to reduce uncertainty by reaching out to would-be migrants and providing them with accurate and comprehensive information about the migration process. However, it is possible that mere information provision will not be sufficient: even if individuals have very precise expectations about the outcome of their personal migration project, they might still prefer to follow their peers, because of the additional utility of migrating together or out of fear of 'falling behind.' Another important motive could be the wish to conform to the choices of peers. According to Festinger (1954), individuals care about making the correct choices and, if objective measures of '*correctness*' are not available, they consider others' choices to be anchors. Lahno and Serra-Garcia (2015) provide evidence from a lab experiment conducted under complete information, having found that in 33 percent of the cases decision makers choose not to stay with their individual choices after observing an active choice of

a peer. If the wish to conform is indeed high among migrants, it will have implications for designing information campaigns. For instance, sharing information about the *active* choices of other migrants (e.g., 'X percent of migrants choose voluntary return') might be more effective than simply telling would-be migrants about the outcomes (e.g., 'X percent of migrants are returned to their origin countries').

Third, due to the complexity and riskiness of the decision, irregular migrants are more likely to assess the probabilities and magnitude of adverse and positive outcomes from migration decisions by employing rules of thumb or *heuristic principles*, which assert that human brains reduce the complex tasks of assessing probabilities and predicting expected values to simpler judgmental operations based on cues.¹⁰ Of relevance here is a heuristic principle known in psychology as the *affect heuristic*, in which a subjective impression of information signals forms the basis of fast perceptual judgments. The premise of the affect heuristic is that people conflate risks and benefits when assessing an activity. For example, a positive affect (i.e., feelings or attachment) pertaining to migration leads to a favorable assessment of the benefits and a discounted assessment of the risks.¹¹ A would-be migrant who has a strong attachment to a migration idea may accord greater weight to long-term migration benefits and diminish short-term abstract risks that could be encountered during the migration journey. For instance, there is evidence that many Senegalese who migrated irregularly to the Canary Islands were aware of the risk information but chose to dismiss it as irrelevant or ignore it, because the expected migration benefits appeared more important to their decisions (Hernández-Carretero 2008). A policy nudge would then aim at helping would-be migrants to process complex information. This could be achieved by jointly presenting both the benefits and costs of migration and using simulation techniques, which could guide would-be migrants on how to evaluate the available information.¹²

Finally, migrants who undertake risky, irregular migration journeys to Europe come mainly from countries locked in poverty, economic insecurity, and conflict. Living in such an environment affects an individual's *willingness to take higher risks* compared with those living in economically secure and safe countries. This is supported by recent evidence showing that individuals living in countries with greater levels of hardship (e.g., income inequality and high infant mortality) have higher propensities to take risks (Mata et al. 2016). In line with this, Mbaye (2014) found that among the Senegalese, 77 percent of would-be irregular migrants were willing to risk their lives in order to emigrate.

⁹ See IOM (2016), Nieuwenhuys and Pécoud (2007), Schapendonk and van Moppes (2007), and Hernández-Carretero (2008).

¹⁰ Heuristics are commonsense rules (or a set of rules) intended to increase the probability of solving complex problems (see Tversky and Kahneman 1974).

¹¹ Affect refers to the conscious subjective aspect of a feeling or emotion (see Finucane et al. 2000).

¹² Such simulation techniques can take the form of a simple example in an information booklet about a hypothetical individual facing the decision to migrate irregularly or a more advanced (and resource-consuming) role game organized in communities in origin countries.

While risk tolerance does not represent a cognitive bias, being aware of this behavioral tendency helps to form realistic expectations about the potential of information campaigns, in particular those that mainly emphasize the risks of irregular migration.

Effects of information campaigns

Information and awareness campaigns have been prevalent European tools to discourage irregular migration. According to the European Migration Network (2016a), around 50 information campaigns targeting prospective migrants and asylum seekers were implemented by EU member states over the period 2006–16. As a rule, such campaigns are carried out by individual member states (sometimes assisted by intergovernmental organizations, such as the IOM) targeting specific origin countries. As an example of a joint EU effort, in 2016 the EU designated the IOM to be in charge of a large awareness-raising campaign financed through the EU Trust Fund for Africa-IOM initiative for Migrant Protection and Reintegration of Returnees along the Central Mediterranean migration routes (€105 million).¹³ This campaign aims to target about 200,000 migrants and 2,000 communities in the Sahel and Lake Chad region and in neighboring countries (including Libya).

While efforts to provide information to would-be migrants are being undertaken, the important question to answer is whether such information provision can indeed affect risky migration behavior and, more directly speaking, reduce irregular migration. To date, there has been little systematic evidence on the impact and effectiveness of information campaigns (Schans and Optekamp 2016). The few existing studies do not agree on whether information campaigns sway would-be migrants' subsequent behavior. For example, Paramjit (2012) finds that information campaigns can increase awareness and change attitudes toward migration. Conversely, Carling and Hernández-Carretero (2011) find that would-be migrants consider themselves better informed and do not take information from campaigns seriously; the authors conclude that information campaigns cannot influence migration behavior. Still, these studies are mostly qualitative and rely on small samples, and thus do not enable policy makers to draw definitive conclusions. As such, the existing evaluations of information campaigns fail to show a chain of causality between the information campaigns and actual migration behavior. The policy recommendation that follows is to ensure robust evaluation of 'pilot' campaigns before upscaling.¹⁴ The above-mentioned IOM initiative in West Africa can serve as an optimal setting for extending the evidence base on the effects of information campaigns.

Policy recommendations

The discussion in this section enables us to generate several policy recommendations.

Choose the right dissemination channels. As this section has shown, there is substantial variation across origin countries in the information sources used. Dissemination methods that work well in Ghana might not do so in Tunisia. Moreover, designers of information campaigns should not underestimate the importance of trust in the information source. As we illustrated earlier, information is likely to be more trustworthy when it is transmitted through known social connections—relatives, friends, and other co-migrants. To date, social networks still play a crucial role in providing information about the migration journey and destination. This presents both a challenge and an opportunity: on the one hand, it is difficult to control the quality of the supplied information; on the other hand, a well-informed diaspora could be the most efficient channel to update would-be migrants about changing conditions in destination countries. The precondition for this is a good level of integration of the immigrant community.

Supply balanced information. Many awareness campaigns have focused mainly on the dangers and risks of irregular migration and the difficult circumstances of living illegally in the country of destination (Schans and Optekamp 2016). A key assumption behind this approach is that irregular migrants are not aware of the risks that they could encounter during the migration journey or that they lack information about the realities of life in the destination country. The literature suggests that irregular migrants are often informed about the migration risks but may have deluded expectations of what happens after they reach their destination, e.g., their chances of obtaining legal status or finding a job. Moreover, supplying only information about the risks and costs of migration will jeopardize the credibility of the message delivered, particularly as would-be migrants can and will access information about migration benefits from other sources (e.g., their social networks or smugglers). While information from these sources is more likely to be distorted, it is trusted by migrants and, in the absence of accessible alternative sources, will be the main input into their decision making.

Acknowledge psychosocial and contextual factors. High levels of risk, uncertainty, and social pressure—typical attributes of irregular migration—tend to make the decision-making process vulnerable to various cognitive biases. As a result, even if would-be migrants have access to complete information, they will likely not process this information in an objective way—for example, individuals can overstate the benefits and underestimate the risks, use heuristics to

¹³ For more information about the EU Trust Fund for Africa, see https://ec.europa.eu/europeaid/sites/devco/files/eu-emergency-trust-fund-africa-20171218_en.pdf.

¹⁴ Such robust evaluations can be done by using experimental methods (see, for example, Ludwig et al. 2011). Apart from conducting the evaluation, it is important to make the results available to the interested stakeholders and research community.

simplify decision making, or discount private information in order to follow their peers. Policy solutions in such cases could involve special nudges (as briefly discussed above) to encourage individuals to make choices in their best interest. While behavioral decision theory and evidence from other fields are instructive on which biases are particularly relevant for would-be irregular migrants, only robust evidence from actual information campaigns enables us to conclude what really matters or not. Designing effective information campaigns will necessarily involve a certain degree of trial and error; hence, it is critical to properly evaluate pilot projects before scaling them up and to make the evaluation results available to other practitioners and researchers.

Finally, it is important to be realistic about the potential of information campaigns to affect migrants' behavior. If the option of irregular migration, given all the risks and costs, remains more attractive than staying and if no regular migration channels are available, the scope of information campaigns in the long term is limited. Cooperating with origin countries on migration policies, developing legal migration pathways, and broadening opportunities in origin countries through development projects are crucial to reducing irregular migration flows. Integrating information campaigns into broader migration policies by directing migrants toward alternatives to irregular migration would improve the credibility and trustworthiness of information campaign messages.

3.2 Population growth and demographic change in Africa: What does it mean for future migration?

Lead authors: David Benček and Claas Schneiderheinze

Africa's population is projected to double by 2050 and reach 3.75 times its current size by the end of the century.¹⁵ Against this backdrop, heated debates have arisen across Europe where these prospects give rise to fears of ever-growing numbers of immigrants beyond any economically and socially feasible level. A vicious circle of population growth, economic degradation, and conflict is often feared to cause a large-scale emigration wave to Europe. Reflecting widespread public sentiments, Antonio Tajani, European Parliament president, expects population growth to push millions of people from Africa to Europe unless suitable systems of migration management are put in place (Tajani 2017). Estimates about future migration flows vary considerably and are naturally fraught with uncertainty.¹⁶ Of course, larger populations will on average lead to larger numbers of emigrants, especially as younger generations are more mobile and potentially benefit from migration over a longer period of time. In general, however, equating population growth with additional emigration to Europe is too simplistic a model, as it neglects to account for the complex interplay of demographic change, economic growth, and individual migration decisions. As other world regions have

shown in the past, population growth can even contribute to sustainable economic development if the institutional conditions are right. In order to provide a more nuanced picture that also considers regional differences between African countries, we review past and future demographic trends, discuss their potential impact and the broader conditions that shape the economic and social results. Finally, we combine these insights into a differentiated assessment of African migration.

Trends in population growth

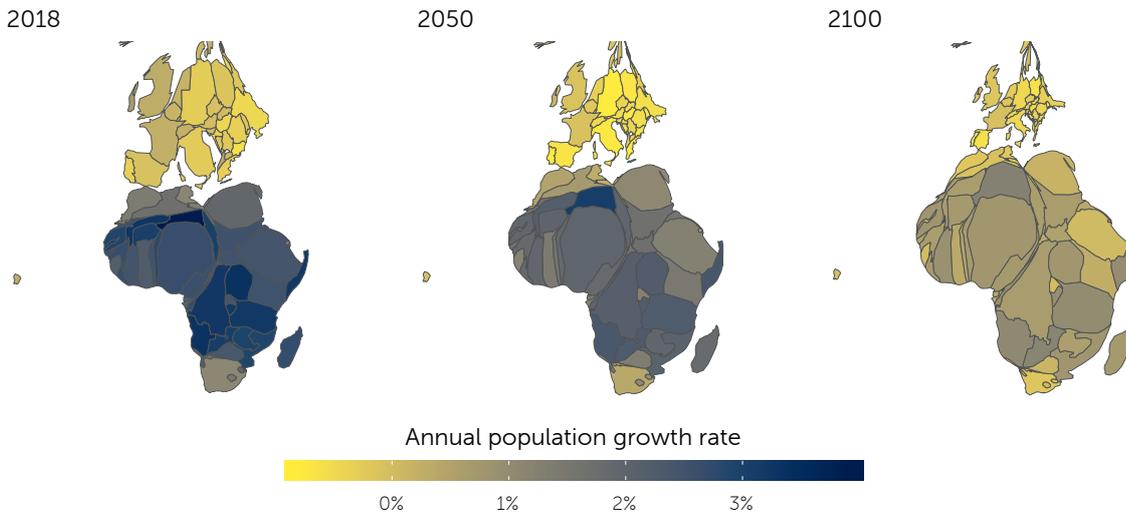
While in 1950 the African continent was home to only 9 percent of the world's population, this share has almost doubled to date (17 percent with 1.3 billion people) and is estimated to rise steadily to 40 percent (4.5 billion people in total) by the end of the century. The continent actually passed its peak population growth rate in the mid-1980s; yet changes in population growth are generally a slow process, so the annual rate has since decreased by only 0.4 percentage points to 2.5 percent.

Despite this (by European standards) high average rate of population growth across all African countries, there are still notable regional differences with respect

¹⁵ These numbers are based on the zero migration projection by the United Nations, Department of Economic and Social Affairs, Population Division (2017).

¹⁶ Hanson and McIntosh (2016) provide a tentative prediction of migrant stock changes by 2050: in their estimate, Italy, Spain, and the United Kingdom each experience additional immigration of 6 to 8 million people, while Germany and France see stagnant or even declining migrant stocks.

Map 3.1 Population projections under a zero migration scenario



Source: Own calculations and elaborations based on United Nations, Department of Economic and Social Affairs, Population Division (2017).
 Note: Land area corresponds to population size and color represents the population growth rate in the respective year

to the progress of their demographic transition. In map 3.1, a visual representation of population projections for Africa and Europe until the end of this century, we can observe more closely that the increase in population is distributed unevenly: evidently, most of the growth will take place in parts of Sub-Saharan Africa, whose share of the African population will increase from 80 to 90 percent. Europe, by comparison, will shrink in relative terms due to its aging demographic; but so will parts of Northern and Southern Africa (e.g., Libya, Tunisia, Namibia, and South Africa), where a demographic transition has started earlier and progressed faster than in other African countries. As the right-hand panel of map 3.1 also shows, current projections expect the rest of the continent to catch up by 2100 and exhibit growth rates comparable to Europe today.

In the context of current debates on immigration, not only growth but also the age composition of Africa's population is an important factor. As migrants are commonly young people, who are still willing to accept high monetary and psychological costs for long-term improvements in their livelihoods, the age structure of this growing population needs to be taken into account. Overall, the population across African countries is very young, with 60 percent below the age of 25 on average (compared with only 27 percent in Europe). While this share is projected to decrease steadily to about 35 percent by the end of the century, it certainly represents a large potential for future migration.

The complex relationship between population growth, economic development, and migration

High levels of population growth—as experienced in many African countries—are a direct consequence of economic underdevelopment. In response to low income levels and opportunities, child rearing comes at low costs

and many children are needed for security in old age. In line with that, the three countries with the highest fertility rates in 2015—Niger, Somalia, and the Democratic Republic Congo—are among the ten poorest countries worldwide (World Bank 2017). But what is the influence of their growing populations on future development? Are they invariably poor or can their demographic development possibly contribute to economic prosperity? Often population growth in developing countries is seen as a major obstacle to sustainable development. Fast-growing countries are often believed to inevitably face high levels of unemployment, hunger, and civil conflict in the long run.

This pessimistic view of population growth dates back to Thomas Robert Malthus. According to his “Essay on the Principle of Population” (1798), populations naturally outgrow agricultural production (due to fixed land resources), and thus population growth needs to be controlled to avoid decreasing per capita incomes, hunger, and crises. While time has proven him wrong (most countries have managed to increase per capita income despite growing populations), his core argument—that population growth leads to lower capital per worker and decreasing productivity—is still popular today. The basic idea is based on the observation that productive resources—like land, fossils, and capital—do not increase with populations. Consequently, when populations grow, fewer resources are available per capita, leading to declines in productivity and income. Hence, population growth would directly jeopardize economic prosperity and could trap countries in poverty.

However, while large family sizes come with significant disadvantages for each child, this one-sided view of growing populations has been challenged in recent years. Technological progress can mitigate and even reverse such effects. Agricultural innovations can easily multiply yields per acre; technological advances

improve the efficiency of extraction and usage of natural resources. Interestingly, technological progress is not independent of population growth, but positively affected by it (Klasen and Nestmann 2013). Growing populations provide the demand for and the supply of technological innovations. In the history of humankind population pressures have been shown to compel innovations (“necessity is the mother of innovation” (Boserup 1981). Similarly, more people have more ideas that benefit the whole population (Simon 1977; Kremer 1993). Beyond that, high population densities are a precondition for the links, infrastructure, demand, and effective market size that are prerequisites for modern economic growth based on technological progress and innovation (Klasen and Nestmann 2013).

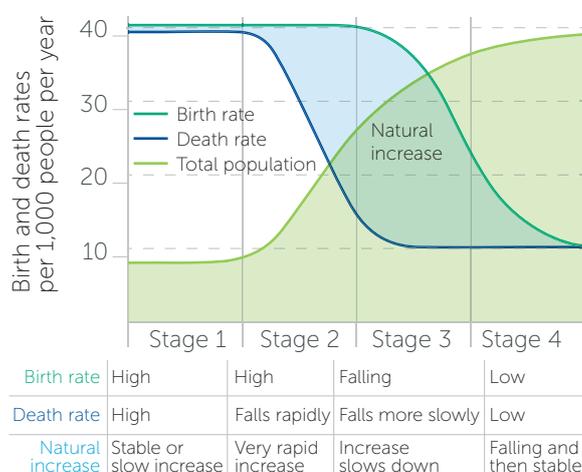
Today, most scholars agree that population growth has ambiguous impacts on economic development and that other factors—specifically governance and economic policies—play a more important role (Acemoglu et al. 2005; Das Gupta et al. 2011). In order to understand the complex mutual relationship between demographic factors and development we have to go beyond the number of people living in a country. Most often, the age distribution, the speed of population growth, and changing generational size have more direct implications for development and migration. Each of these factors is shaped by continuous country-specific changes in fertility and mortality rates—the demographic transition.

The demographic transition

This term describes a change from high levels of fertility and mortality toward low levels, which is typically observed over the development path. Africa is the last world region where the demographic transition is still underway. Across the continent the demographic situation is very heterogeneous with some countries further ahead in the transition process. In this context it is important to stress that the transition does not take place automatically but is rather the consequence of changing fertility choices in developing economies. While an exact forecast of future changes in mortality and fertility remains naturally problematic, the general pattern of the demographic transition has been shown to be remarkably similar across countries. This general pattern is depicted in figure 3.4.

At an early stage of economic development, high mortality and fertility rates balance each other out such that population growth remains low. With the onset of economic development and poverty reduction, mortality rates start to decline; this effect is especially strong for child mortality. As a result, more children survive, the most recent birth cohorts are larger than previous ones and the population grows. Furthermore, the age distribution shifts, and the average population gets younger. In a next step, increasing economic opportunities and decreasing mortality levels have a dimin-

Figure 3.4 The demographic transition in five stages



ishing effect on fertility. As the size of the age cohorts decreases again, a ‘generational bulge’ is created. Its size depends on the speed and magnitude of the respective declines in mortality and fertility. When reaching working age such a generational bulge may significantly boost economic development (a ‘demographic gift’), but at old age the high ratio of dependents to workers poses severe challenges to economic sustainability (a ‘demographic burden’)—as we experience in most developed countries today.

Hence the term demographic dividend (or gift) refers to a situation where the working-age population in a country is atypically high. Yet, it is only a temporary phenomenon and is thus often viewed as a unique ‘window of opportunity’ for economic development. The positive impact of increasing the share of the working-age population goes beyond the direct labor market potential. State budgets and social security systems benefit from higher employment and the simultaneous increase in savings rates and demand for housing and investments contribute to economic growth (Bloom and Williamson 1998). In East Asia the demographic transition was particularly fast and the demographic dividend was estimated to be responsible for a third of per capita income growth during the ‘East Asian miracle’ (1965–90) (Bloom and Williamson 1998).

However, reaping the demographic dividend is not an automatism, but requires a suitable economic and political environment. In order to create a dividend, the youth bulge needs education and jobs. If a country fails to provide that, the unique opportunity for economic development can turn into economic descent, which may ultimately lead to civil conflict and (mass) emigration. If large numbers of young people face few economic opportunities, desperation and poverty make rebellion, crime, and illegal migration attractive (Fearon and Laitin 2003; Urdal 2006).

In this respect, Libya constitutes a prime negative example. Despite experiencing one of Africa’s most

favorable dependency ratios, no demographic dividend has materialized. Instead, the lack of employment opportunities and political struggles have created a vicious circle of conflict and economic deterioration. In contrast, Botswana has managed to use the demographic opportunity for economic growth.

For Sub-Saharan Africa as a whole, the possibility of a demographic dividend is just about to materialize (see figure 3.5). On average, relatively little systematic change has occurred in the workers-to-dependents ratio in the past 60 years, but from now on the share of the working-age population will continuously increase and reach its maximum by the end of this century. In other words, the window of opportunity is about to open for Africa.

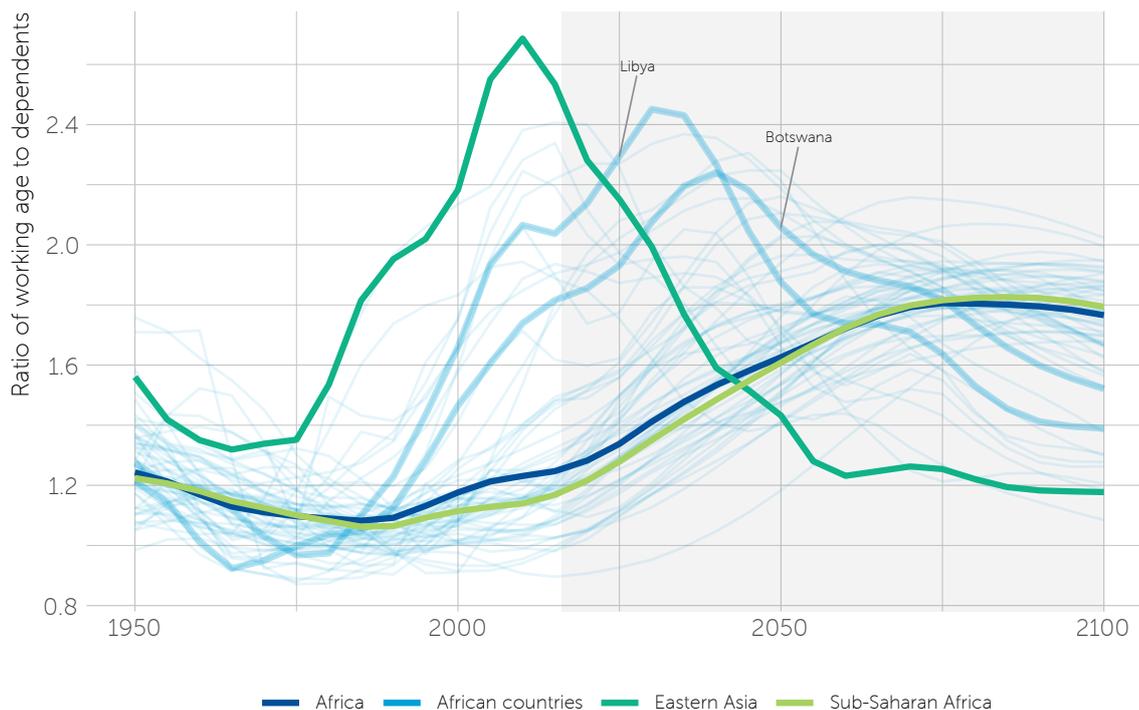
Determinants of success and failure

The key question remains: Why are some countries benefiting from population growth and demographic change, while others suffer? What drives the direction of impact? Naturally, a recipe for success does not exist. The short answer is that effects crucially depend on the interplay of country-specific political and economic factors. Factors that are conducive to economic growth generally help realize the demographic dividend. If the economy struggles to provide jobs already at intermediate levels of population growth, higher levels of population growth will likely be problematic. Political stability, good governance, and foresight are crucial to deal with the upcoming challenges.

Governance quality and political institutions play a

twofold role for the demographic transition to translate into positive economic and development outcomes. First, effective population policies can help to reduce fertility rates, speed up the demographic transition and thus decrease dependency ratios. Second, any positive economic impact crucially depends on the ability of (i) the education sector to accommodate the large number of young citizens, and (ii) the economy to create additional jobs for the new generation. For either factor, good governance and favorable policies are vital. From empirical studies we know that on average, African youth are specifically disadvantaged in the labor market: they are much less likely to find employment compared with older cohorts and even if they do, self-employment or informal activities are more prevalent (Bhorat et al. 2017). Successful population and educational policies require a long-term perspective of policy makers, since benefits do not materialize in the near future. Short-sighted governments are likely to invest too little in these areas. The East Asian miracle constitutes a prime example. Between 1965 and 1990, East Asia experienced an unprecedented demographic transition (Bloom and Williamson 1998). Despite the unusually high speed of transition, the demographic opportunity was seized and sustainable economic progress was created. East Asia's success was based on a combination of factors: besides the high savings rate, government interventions targeted at education and technology transfer along with a stable, market-oriented environment have played important roles (Stiglitz 1997).

Figure 3.5 Ratio of the working-age population to dependents, 1950–2100



Source: Own calculations and elaborations based on United Nations, Department of Economic and Social Affairs, Population Division (2017).
 Note: Working age is defined as 15 to 64 years of age. The shaded area represents projections.

What does that mean for migration?

In the process of economic development emigration rates typically first increase, as more people are able to afford migration, then decrease at higher levels of development when incentives for migration dissolve. Given the still relatively low per capita incomes in most African countries, the income gap between Africa and Europe will constitute a substantial incentive for migration in the coming decades. Thanks to rising income levels in Africa more and more people will be able to finance a move. Even so, such natural increases in migration are not generally worrisome. Migrants who are motivated by European income levels and deliberately and freely decide to come to Europe are positively selected, well-educated, prefer legal migration, and want to integrate into their new societies (Clemens et al. 2008; Grogger and Hanson 2011).¹⁷ At the same time, in the context of rapid population growth another type of migration comes to mind: large-scale moves that are motivated by poverty, stagnation, economic crisis, or violent conflict. When population growth creates failing economies, illegal migration can become an attractive choice and migration outcomes can turn negative. Whether that is likely to happen depends on a country's ability to manage its specific demographic development and thus its ability to reap the demographic dividend.

Yet, the relationship between demographic change and migration goes far beyond income levels. Empirical research shows that more comprehensive measures like life satisfaction can explain migration intentions far better than income levels (Cai et al. 2014). In particular, dissatisfaction with local amenities like health and educational services, governance, and security is considered the most powerful push factor (Dustmann and Okatenko 2014). For all these factors not only are differences in levels important, but also the direction of change. Perceived economic prospects are critical to individual willingness to migrate. In the Gallup World Poll (2010–12), 28 percent of the population in Burkina Faso and even 53 percent in Liberia indicated that they are in principle willing to migrate. In contrast and despite similar income levels, for Rwanda and Mozambique these shares are only 7 and 10 percent, respectively (Esipova et al. 2014). How are these countries different? While Rwanda and Mozambique have benefited from continual economic growth and improvements in amenities, economic stagnation has taken place in Burkina Faso and Liberia has suffered from civil conflict.

These observations may help us anticipate the migratory effect of specific demographic developments. Besides the obvious impact on population size and age distribution, demographic change systematically affects migration through its influence on economic prospects and amenities in the country of origin. While the impact on economic growth is ambiguous, quickly growing populations pose a severe challenge to pub-

lic service provision. Providing education to the youth bulge and improving the health infrastructure to meet the demands of a growing population are crucial and demanding tasks for many African governments. So far, success varies: some countries have managed to establish functioning systems, while others lag significantly behind. Countries that already struggle with the setup of public services and a conducive institutional environment are most at risk of failing to live up to the challenge of rapid population growth. Wherever population growth puts a strain on local amenities, emigration rates are likely to systematically increase.

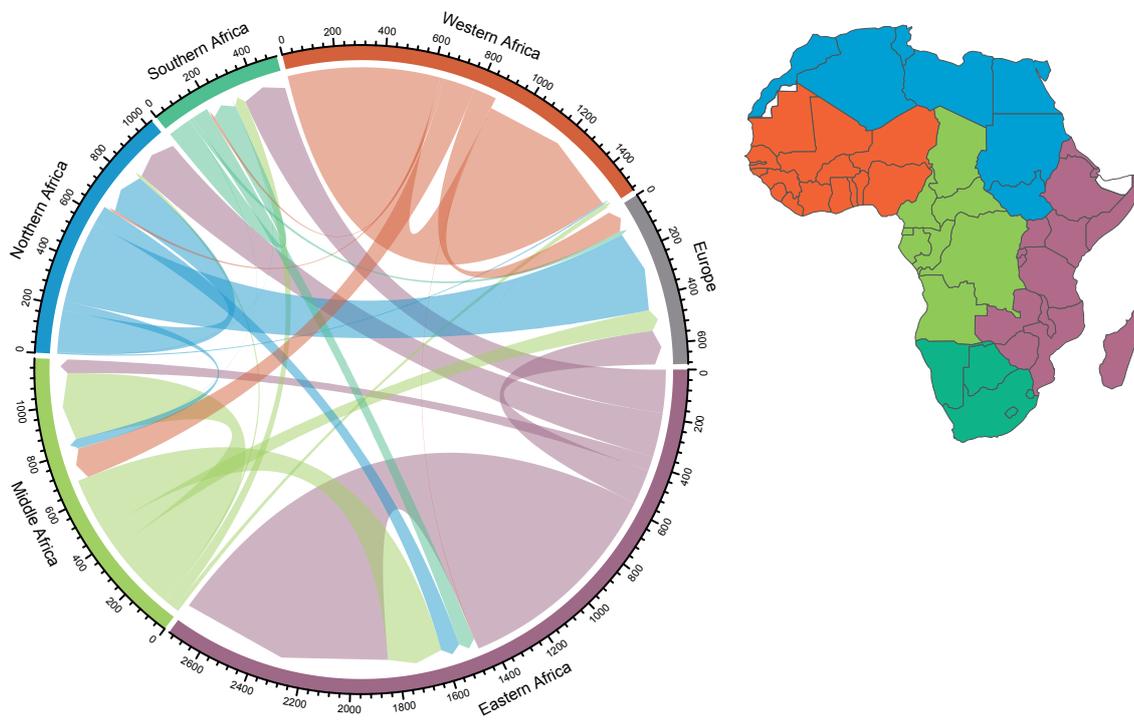
Developing and improving such institutional conditions is a time-consuming process that needs to evolve naturally within each country in order to ensure a sufficient level of ownership among society (Acemoglu et al. 2005). Because this is a slow process, today's institutional environment serves as a good basis that allows for inferences about likely future demographic impacts. In combination with past migration experiences and future demographic developments, it may provide some insights into future African migration patterns.

African migration today and tomorrow

Applying the above insights to the current situation in African countries, we can start assessing their different potential migration trajectories by looking more closely at the respective institutional, political, and economic environments in which the projected demographic changes will unfold. By considering the heterogeneity among countries, with respect to both their demographic characteristics as well as their present integration in regional and international migration flows, we can evaluate in detail how future migration flows may be shaped by their projected population growth. A natural starting point for this look ahead is the currently observable prevalence of migration within and between groups of countries as well as the main countries of origin of European immigrants. Notably, the broad literature of migration research has robustly identified existing networks to be among the most influential determinants of migration flows (e.g., Boyd 1989; Böcker 1994; Pries 2004). Therefore, current patterns will give us an idea about the location choices of future migrants. Furthermore, family migration today represents a significant percentage of total migration (e.g., according to Eurostat (2016), 50 percent of foreign-born people in Europe migrated for the purpose of family reunification) and so the destinations of a large portion of coming migrants have already been determined by their trailblazing parents, siblings, or adult children. While these existing patterns and networks are likely to evolve and transform over the course of multiple decades, they nevertheless exhibit a certain inertia and therefore represent a reasonable predictor of future migration channels.

¹⁷ For a more comprehensive discussion of the drivers of migration decisions and the selection and sorting of migrants, see section 4.1 of the MEDAM (2017) report.

Figure 3.6 Migration flows within Africa and to Europe, 2013
(in 1,000)



Source: Own calculations based on data from the World Bank Global Bilateral Migration Database and World Bank Bilateral Migration Matrix 2010/2013.

Past and current patterns of migration

Most of the international stock of African migrants outside Africa only started to grow at the beginning of the 1960s. Yet by that time, intra-continental migration had already been quite prevalent, notably among the countries of Sub-Saharan Africa. As both types of migration have on average increased in parallel, the split between intra- and inter-continental migration has remained the same: the largest share of African migrants travel within broader regions across the continent, particularly within Eastern and Western Africa (see figure 3.6). Europe is predominantly a destination for migrants from Northern Africa (representing a share of 50 percent), suggesting that mere geographical distance remains a helpful proxy in estimating migration flows from different destinations (obvious exceptions to this rule are countries with former colonial ties to Europe).¹⁸

To date, high-income countries in general have much more often been the destination for emigrants from countries in the Middle East and North Africa (65 percent) than countries in Sub-Saharan Africa (31 percent). We nonetheless observe a highly mobile population in Sub-Saharan Africa that migrates within the broader region: intra-regional migration accounts for 85 percent of total immigration and 66 percent of total emigration (World Bank Group 2016b).

As figure 3.6 shows, Western African migration mostly takes place within the region (84 percent of its total migration). For the most part, these are labor migrants taking advantage of work opportunities in neighboring countries, but also increasingly young people moving to obtain formal educations (Awumbila 2017). Many countries in Middle and Eastern Africa have experienced substantial movements of refugees and internally displaced people in the past with individual countries being both the origin of and host to refugees over time. As conflicts have ended, returning migrants have added to regional flows of people. Southern African migration is mostly circular between countries in the region, with South Africa at its center. In addition, Botswana has become a major country of immigration as it experiences political stability and economic growth; it has attracted highly skilled professionals from Ghana, Zambia, Uganda, Zimbabwe, Nigeria, and Kenya (Adepoju 2008; Nkamleu and Fox 2006).

So, while the prospect of education, labor, or higher incomes represents the underlying incentives of migration, geographical proximity oftentimes determines its direction. But beyond this static determinant of migration patterns we also observe that multilateral cooperation between states within regional economic communities (RECs) has additionally contributed to rising

¹⁸ Of course, in a world of declining costs and easier access to travel, geographical distance ultimately serves as a measure of a diverse set of factors that affect the destination decision, e.g., cultural similarity, access to institutional knowledge, and also the likelihood of an existing migrant community of co-nationals.

We use a hierarchical clustering approach to group countries that are similar with respect to all of these characteristics and end up with four distinct clusters of countries.²⁰ All countries belonging to a given cluster share similar characteristics with respect to their institutional environment that will affect the impact of population growth. Figure 3.7 shows a visual representation of these clusters in a two-dimensional space. These two dimensions each unite a combination of the multiple characteristics listed above and are able to represent two-thirds of the variance between the countries.

We identify as cluster 1 in dark blue all countries that exhibit very high levels of corruption, ineffective government, and generally low levels of investments in health and education. Youth employment is below average and they also tend to be politically unstable. Zimbabwe is a typical example of this group.

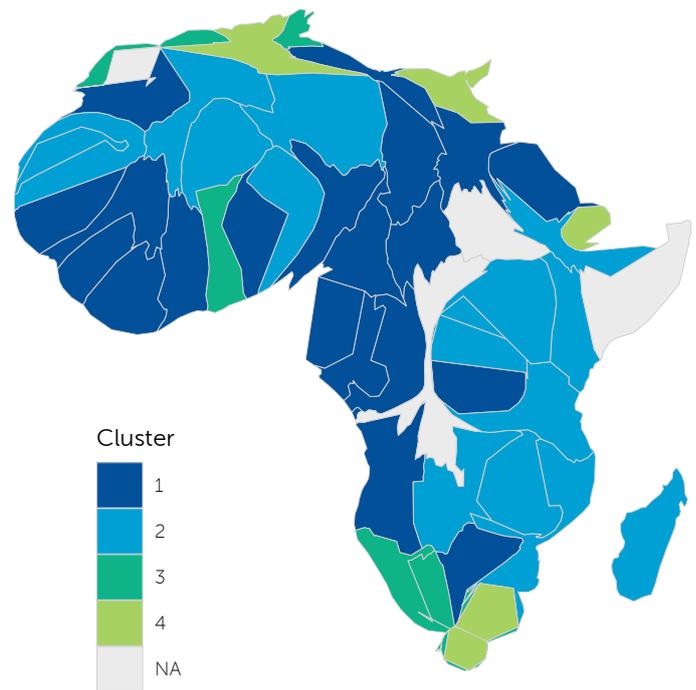
All light blue colored countries in cluster 2 show successful labor market integration of young people, but only moderate government effectiveness and relatively high levels of corruption. Nevertheless, the business climate is favorable and there are signs of positive development of political institutions. Within this cluster Mozambique is a central representative.

The green cluster 3, typified by Namibia, is made up of highly stable democratic countries that are governed by a strong rule of law and control of corruption. High levels of investment in education and health are coupled with a widespread availability of improved water sources. Together with cluster 2, these countries range among the highest rated in the doing business index. Youth employment is lower than in cluster 2, but this reflects a higher average number of years of schooling.

Finally, countries in the light green cluster 4, represented by Djibouti or Egypt, show high levels of investment in infrastructure (health, education, and water). With respect to political institutions members of this cluster are similar to cluster 2, still experiencing significant corruption, but they are not as successful at providing job opportunities for young people.

Based on this clustering of African countries we should expect the projected demographic transition to affect economic development generally in a positive way in clusters 2 and 3. By contrast, because of their present institutional shortcomings, clusters 1 and 4 would encounter negative effects from high population growth in the near future. This assessment is also reflected by recent economic growth over the past 10 years, during which time countries in cluster 3 experienced the highest average annual growth of per capita GDP with 2.8 percent, whereas cluster 1 grew at only 1.2 percent.²¹ The fact that our clustering of countries, which is based mainly on institutional charac-

Map 3.2 Country clusters and population growth



Source: Own calculations based on United Nations, Department of Economic and Social Affairs, Population Division (2017)

Note: Land area corresponds to population growth until 2050 with zero migration.

teristics, coincides with recent economic performance underlines our argument about the importance of countries' institutional setting for economic development.

Of course, even within each cluster, countries differ with respect to their projected population growth. We therefore combine our cluster-based country grouping with population projections in map 3.2 to help assess the potential effects on migration flows over the decades to come.²²

Most countries with high population growth rates are either part of the light blue cluster 2, in which the institutional setting still holds challenges but is overall promising, or the blue cluster 1, in which the countries are likely to experience economic pressure. While Eastern Africa is set to increase its population significantly by 2050, its economies seem to be able to handle the additional labor force relatively well. Additionally, the low population growth across Southern Africa, which mostly belongs to the institutionally strong cluster 3, will attract more regional migration to serve its demand for labor—a process promoted by RECs such as the SADC, EAC, and IGAD. Similarly, multiple countries in Western Africa with a high projected rate of population growth are either likely to benefit from it or are located close to countries with favorable institutional

²⁰ Specifically, we use a divisive clustering algorithm with Euclidean distance. Based on visual inspection of the resulting dendrogram, we set the final number of clusters to four. In order to maximize the number of countries included, missing values for education expenditure in Nigeria, Libya, and Equatorial Guinea were replaced with the overall mean.

²¹ For completeness, the remaining two average rates of annual growth were 2.3 percent and 2.6 percent for countries in clusters 4 and 2, respectively.

²² Underlying growth rates are based on the zero migration variant in United Nations, Department of Economic and Social Affairs, Population Division (2017).

prerequisites. In this regard, ECOWAS can be an important driver of beneficial labor migration. Overall, we can thus expect the geographical distribution of clusters to advance regional patterns of labor migration.

With respect to migration flows to Europe, map 3.2 also shows that the most relevant countries of origin will neither experience high population growth nor will their economic and political institutions likely be unable to cope with incoming regional migrants. Expectations of unprecedented migrant flows to Europe because of natural population growth therefore seem disproportionate and neglect to account for heterogeneity across countries and the importance of regional, intra-continental migration in Africa.

Conclusions

It is undisputed that the total population of Africa will keep rising steadily until the end of this century. It is important, however, to acknowledge the vast heterogeneity among countries with respect

to their population trajectories. While the level may still be high, many countries are experiencing declining growth rates. Especially Northern Africa—where most African migrants in Europe originate from—will see its population grow at rates comparable to Europe.

The developmental consequences of the expected demographic change highly depend on the country-specific institutional capacity to socially and economically accommodate a growing population. These institutional characteristics differ greatly across African countries: some countries, like Zimbabwe or Angola, will have difficulties in dealing with these challenges while others, such as Botswana or Ghana, may even benefit from a larger labor force and incoming labor migrants. And it is because of these regional differences that we should expect the growing total population to lead to even higher rates of intra-African migration, especially as regional economic communities continue to pursue and implement free movement policies.

3.3 Economic integration of refugees in low- and middle-income countries

Lead author: Matthias Lücke

For the EU asylum system to function effectively, it must be embedded in a global governance framework for the protection of refugees. As a large, high-income economy, the EU has much to contribute to the protection of refugees worldwide. Yet, the EU will never be able to host all the refugees in search of protection and not all of them would like to go there.

To a large extent, geography determines where refugees are hosted: most refugee situations arise in low- and middle-income countries; most refugees live in neighboring countries at a similar income level. In the past, when living conditions in the host country were very unsatisfactory, refugees moved on in the hope of finding more favorable conditions elsewhere. For example, conditions for Syrian refugees deteriorated sharply in Jordan and Lebanon in late 2015; subsequently, many refugees moved on to Turkey and farther, irregularly, to Western Europe. This movement was stopped only when Turkey agreed to prevent people smuggling across its border with Greece while the EU agreed to provide significant financial support for the hosting of Syrian refugees in Turkey (Lücke and Schneiderheinze 2017).

Thus, it is not only a humanitarian obligation, but also a matter of self-interest for the EU to help ensure that refugees can lead decent lives in their host countries. While

geography determines where refugees are hosted, the resulting economic burden can be shared by the international community and the EU has much to contribute. However, since many refugee situations drag on for many years, it is not enough to provide refugees with basic necessities such as food, housing, health care, and an education for their children. A life with dignity includes the right to work, giving refugees the opportunity to provide for their own livelihoods (MEDAM 2017). Although this is acknowledged by the 1951 Refugee Convention and other international policy documents, implementation is sketchy in many host countries.

In this section, we first review the international legal framework and recent policy documents on the right to work for refugees. We then draw on the findings of a large World Bank research project (Zetter and Ruau-del 2016a) to summarize the legal status quo and de facto labor market integration of refugees in the main host countries. Since refugees in most low- and middle-income countries face many hurdles as they seek to work and support themselves, we discuss why most host countries have been reluctant to extend the right to work to refugees and how the international community can address these concerns. We consider especially the experiences of Jordan and Uganda and conclude

with a case study on Syrian entrepreneurs in Turkey that highlights how the economic integration of refugees can work for everyone's benefit.

The international legal framework

Underlying international law and related policy documents, there is a clear understanding that economic integration, in terms of employment as well as entrepreneurship, is necessary for refugees to live with dignity in their host countries. Therefore, granting refugees access to formal employment and entrepreneurial opportunities constitutes good practice in host-country refugee protection policies. Nevertheless, many host countries have been reluctant to adopt legally binding commitments at the international level or to implement the refugees' right to work and entrepreneurial activity in national legislation. Further below, we consider the perceived obstacles and discuss ways for the international community to work with host countries to promote the economic integration of refugees.

The 1951 Refugee Convention devotes Chapter III ("Gainful Employment") to the economic integration of refugees.²³ Regarding both employment and self-employment, recognized refugees are to be treated at least as favorably as other foreign citizens in the same circumstances (Articles 17(1) and 18). Moreover, "restrictive measures imposed on aliens...for the protection of the national labour market...shall not be applied to a refugee...who...has completed three years' residence in the country" (Article 17(2)). Also, "the Contracting States shall give sympathetic consideration to assimilating the rights of all refugees with regard to wage-earning employment to those of nationals" (Article 17(3)).

Although the Convention acknowledges that "national treatment" of refugees in terms of employment rights constitutes good practice, many signatory states have registered reservations that exempt them from applying Article 17, especially section (1).²⁴ Many reservations state that the country considers the provisions of Article 17 to be recommendations, not obligations. In effect, only 75 out of the 145 signatory states grant national treatment regarding employment, either through accession to the respective articles of the Convention or through domestic legislation (Zetter et al. 2017). In many low- and middle-income countries, the labor market integration of refugees is further complicated by the fact that formal employment constitutes only a small part of total employment: whatever their rights in the formal labor market, many refugees must rely on informal work for their survival, with the attending risks of discrimina-

tion and exploitation based on their often unsecure legal status.

The New York Declaration for Refugees and Migrants was adopted by the United Nations General Assembly on September 19, 2016,²⁵ following a summit of heads of state and government. As a "political declaration," it does not establish legal obligations but describes commitments by UN member states on how they will share responsibility for refugees (among other things).

In the New York Declaration, UN member states reaffirm the 1951 Refugee Convention (with the 1967 Protocol) as "the foundation of the international refugee protection regime" (para. 65). UN member states are encouraged to sign the Convention if they have not done so already, and to withdraw any reservations that they may have made. The Declaration recognizes that "armed conflict, persecution and violence, including terrorism, are among the factors which give rise to large refugee movements." Thus, the Declaration acknowledges explicitly that refugees from war, who are not covered by the 1951 Convention, also require protection. Somewhat cautiously, host countries are encouraged to "consider opening" their labor markets to refugees, while UN member states pledge assistance for employment creation and income generation schemes (para. 84; Annex I, para. 13).

Annex I of the New York Declaration will likely become the basis of the planned Global Compact on Refugees in 2018.²⁶ Like the New York Declaration, the Compact will constitute a set of political commitments by UN member states, rather than legally binding obligations. Given the wording of Annex I, the Compact itself will probably not generate much progress in strengthening refugees' right to work, beyond affirming Article 17(1) of the 1951 Refugee Convention. Any progress will depend on how much momentum the adoption of the Compact will generate toward policy reforms (and international support) to expand the labor market integration of refugees.

Similar to the New York Declaration, the International Labour Organization's "Guiding principles on the access of refugees and other forcibly displaced persons to the labour market" (ILO 2016) stop short of calling on governments to grant the right to work to refugees. At the same time, the guiding principles call for policies to foster opportunities for formal and decent work that support self-reliance for refugees (paras 7 and 14), along with international support for countries that host many refugees (paras 26 and 27). The target population is referred to as "refugees and other forcibly displaced persons," thus including individuals who may not come under the 1951 Geneva Convention, but

²³ See United Nations High Commissioner for Refugees, Convention and Protocol relating to the Status of Refugees (2010), <http://www.unhcr.org/protect/PROTECTION/3b66c2aa10.pdf>.

²⁴ A full list is on the website of the United Nations High Commissioner for Refugees: <http://www.unhcr.org/protection/convention/3d9abe177/reservations-declarations-1951-refugee-convention.html>.

²⁵ See United Nations General Assembly, New York Declaration for Refugees and Migrants (2016), http://www.un.org/ga/search/view_doc.asp?symbol=A/71/L.1.

²⁶ Up-to-date information on the Global Compact on Refugees may be found on this website: <http://refugeemigrants.un.org/refugees-compact>.

may have other valid reasons to flee their countries of origin (for example, war).

The guiding principles also call for reliable information “concerning the impact of refugees and other forcibly displaced persons on labour markets” (para. 14) as well as “national, bilateral, regional and global dialogue on the labour market implications of large influxes of refugees and other forcibly displaced persons” (para. 25). These cautionary statements suggest that if refugees’ access to the labor market were to conflict with the “needs of the existing labour force and employers” (para. 14), the latter would take precedence. This indeed seems to be the prevailing approach in many host countries: err on the side of caution and limit refugees’ access to the formal labor market if there is as much as a suspicion that residents could be hurt.

We argue below that this approach is, first, counterproductive: if refugees are limited to working in the informal sector, it becomes more likely that a relatively large number of refugees may compete with specific groups of informal local workers. Without such restrictions, any impact on residents would be more widely dispersed. Second, existing research strengthens this argument because it finds, under most circumstances, only a small labor market impact of immigrants on residents in terms of wages or employment opportunities. And third, with international financial support for low- and middle-income countries that host refugees, there is a good chance that additional demand for local goods and services will raise local incomes before any labor market effects come into play.

Obstacles to the labor market integration of refugees in low- and middle-income countries

Based on a large World Bank project, Zetter and Ruau-del (2016a) assess the status of the labor market integration of refugees in 20 countries that host 70 percent of the world’s refugee population. Most are low- and middle-income countries because that is where most refugees live. The authors review relevant national legislation and discuss how asylum and labor market policies as well as mediating conditions determine the labor market integration of refugees on the ground. Mediating conditions relate to the refugees themselves—their education, professional background, knowledge of local languages, and so on—as well as to the host country, for instance, the number of refugees relative to the resident population, labor market institutions, and labor demand. Although the host countries in the study are very diverse, several conclusions apply widely and have important implications for how responsibility for hosting refugees can be shared more effectively at the international level.

First, although international legal and policy documents recognize full labor market integration as good practice (see the previous subsection), current conditions in most host countries fall significantly short of

this benchmark (Zetter and Ruau-del 2016a, 11, 13). This is true irrespective of whether the host country has signed the 1951 Convention or has made reservations to applying the articles pertaining to refugees’ labor market integration.

In practice, concerns about treatment less favorable than national treatment are not limited to national refugee law, residence law, or labor market regulations. In addition, it often takes a long time for asylum seekers to be recognized as refugees and the process may be fraught with uncertainty. Until recognition, asylum seekers are in an even weaker position in the labor market and may lose precious time that they could have used to prepare themselves better for work (by learning the local language, for instance).

Second, except in a few high-income countries where refugees’ basic needs are adequately covered through cash and in-kind transfers, most refugees nevertheless work to survive—either to supplement whatever meager support they receive, or to support themselves entirely. If they cannot work formally (because they are not allowed to or because the formal sector is too small), they will work informally. As a result, many refugees work under precarious conditions in terms of wages, hours, job security, and occupational health and safety—even when compared with what may be generally low standards in many low- and middle-income host countries.

Third, regarding mediating conditions, most refugees naturally find it more challenging than other immigrants to find decent work. In contrast to labor migrants, refugees leave their homes when they are pushed to do so and may have little choice over their host country. Thus, many are unprepared for the demands of the host country labor market, do not speak the local language, and have no demonstrable professional qualifications. As a rule of thumb, in some high-income countries, refugees as a group take 10 years to attain the same employment rate as other immigrants (MEDAM 2017, 57). Of course, when income support for refugees is less generous and labor market conditions are more similar between the host country and the country of destination, many refugees will find work more quickly. Still, the challenges are large at the personal level.

Fourth, across host countries, reluctance to allow refugees to work is especially pronounced in low- and middle-income countries with few formal jobs for which there is a lot of competition among residents, and in countries with weak and fragmented labor markets. Under such conditions, it may seem especially likely that if refugees enter the labor market, wages and conditions may deteriorate for local workers. As we discuss below, this concern may be valid in the short run, but will not apply in the long run with an appropriate policy environment.

Fifth, from a political economy perspective, many host countries are reluctant to grant refugees the right to work because that may be viewed as a signal that

Box 3.3 International assistance for Jordan and work permits for Syrian refugees

Lead author: Merlin Ole Pratsch

Jordan has an estimated population of 10.1 million, out of which 1.3 million are Syrians. Of the 660,000 Syrian refugees who are registered with the UNHCR, 297,000 are of working age (Immenkamp 2017; UNHCR 2017c) and “two out of three refugees are reported to live below the Jordanian absolute poverty line.”^a In February 2016, the London conference on “Supporting Syria and the Region” aimed at long-term pledges of the international community regarding financial and technical aid. In return, host countries of the region should facilitate access to labor markets and education for Syrian refugees. In 2016, donors contributed US\$1.4 billion in grants and \$923 million in loans to Jordan. A further \$692 million in grants (by October 2017) and \$531 million in loans have been directed to Jordan in succession to the follow-up conference in Brussels in April 2017 (Supporting Syria and the Region 2017a; 2017b).

During the London conference participants also agreed on the EU-Jordan Compact, containing mutual commitments. Conditional upon increased financial support, Jordan pledged to grant 200,000 work permits^a to Syrian refugees in specified sectors and facilitate business development over the following three years. The Compact is supposed to attract new investments to create jobs for both Jordanians and Syrian refugees. It combines “humanitarian and development funding... with pledges of \$700 million in grants annually for three years and concessional loans of \$1.9 billion” (Barbelet et al. 2018, 2). Furthermore, it contains trade facilitation for Jordanian exports to the EU in return for employment quotas for Syrian refugees (especially simplified rules of origin for a 10-year period for 52 product groups manufactured in one of 18 special economic zones; see section 3.5). A potential extension of the rules of origin regime is made conditional on the achievement of the 200,000 work permits (Schubert and Haase 2018). Separately, in September 2016, the World Bank set the target of 130,000 Syrians holding active work permits by 2019 (at that time, not as a cumulative total). Between \$193 and \$7,000 is disbursed for each work permit, depending on the date of its issuance, with a maximum of \$20 million to \$35 million per calendar year. Related to business regulatory reforms, \$200,000 will be disbursed “for each additional 10 household enterprises officially established of which at least one is owned by a

Syrian refugee household and one is owned by a female” (IBRD and IDA 2016, 47–50).

Between January 1, 2016 and October 31, 2017, 71,426 work permits were issued to Syrian refugees but there are no data on how many are still active. Syrians constitute approximately 20 percent of the total non-Jordanian workforce and 10 percent of all work permits received by migrant workers were issued to Syrians (2 percent before the Compact). Also, the labor market participation of Syrian women is vanishingly small, with a share of only 3,178 work permits (Hamdan 2017; UNHCR 2017c). The efforts of the international community following the London conference demonstrate indeed how a rather restrictive labor market policy can be opened up for refugees and that international funds can be mobilized in a short time. Although the number of work permits is increasing, progress in the labor market integration of Syrian refugees is rather slow regarding the aim of 200,000 work permits.

The reasons for the slow progress are bureaucratic and financial obstacles, lack of information on the part of refugees, the unattractive locations of the special economic zones, and disincentives for employers to formalize employment, such as high costs or complicated processes. The current state of Jordan’s economy, characterized by high unemployment and slow growth rates, and the limitation to certain sectors that do not match refugees’ skills have to be added (Barbelet et al. 2018; Schubert and Haase 2018). Finally, the structure of Jordan’s sector and work permit quota system—enjoining a 50 percent quota for Jordanian employees on employers in export industries—contributes to the segmented labor market whereby Syrians have to find employment opportunities in other sectors or enter informal employment where wages are relatively high (Amjad et al. 2017, 39; Kelberer 2017, 20–22). The Ministry of Labor is attempting to mitigate some of these obstacles. For instance, it has de-linked work permits in agriculture from employers and introduced flexible work permits in the construction sector allowing employees to carry out construction works freely within the sector. In addition, employment bureaus for Syrians have been established in cooperation with the ILO. Currently, the Ministry of Labor is re-examining Syrian employment rates in factories that want to benefit from the simplification of rules of origin (Hamdan 2017).

^a Council of the European Union, “EU-Jordan Partnership Priorities and Compact,” Annex to Decision No. 01/2016 of the 12th EU-Jordan Association Council, 11 (September) (accessed March 5, 2018) <http://data.consilium.europa.eu/doc/document/ST-12384-2016-ADD-1/en/pdf>.

refugees are welcome to stay in the host country indefinitely, rather than temporarily. Such a signal could undermine the crucial distinction between the governance systems for refugee protection and labor migration. Refugees have the right to stay in the host country for as long as they require protection—irrespective of whether their presence is economically advantageous for the host country. By contrast, the host country is free to admit (or not admit) would-be labor migrants according to any criteria that they may choose.

Zetter and Ruauadel (2016a) also point out that popular support for hosting refugees may depend on the population regarding the refugees' presence as a temporary humanitarian response to an emergency. Beyond employment, there are many other areas where refugees may (be perceived to) compete with residents over access to resources: public services such as health care and schools, housing, and subsidized food and energy. In addition, when violent conflicts in the countries of origin threaten to spill over into host countries, there may also be security concerns about a large-scale presence of refugees.

The attitude that refugees should only be allowed to stay temporarily under makeshift conditions is widespread in host countries at all income levels (see Barslund et al. 2016 on the treatment of Bosnian war refugees in several Western European countries in the 1990s). However, this attitude sharply conflicts with the long duration of most refugee situations: in 2016, two-thirds of refugees worldwide were in "protracted" refugee situations that had lasted more than five years (UNHCR 2017c, 22). As there is little prospect of refugees returning to Syria any time soon, many refugees look set to remain in protracted situations for much longer.

Although some refugees have moved on irregularly from their countries of first asylum when conditions elsewhere appeared more promising (such as Syrians moving from the Middle East to Western Europe in late 2015), such secondary movements are now rare and actively discouraged by potential destination countries. Therefore, arguably, it is incompatible with humanitarian principles as well as a waste of refugees' potential output to deprive refugees of the chance to work productively and support themselves and their families while they live in their host country. It is to this situation that international law and policy documents respond by establishing full labor market integration as a benchmark for good practice in refugee protection policies (see the previous subsection).

That said, international support for countries that host refugees is crucial to resolving potential conflicts between refugees and residents over access to resources and economic opportunities. Such support may come in various forms, including income support for refugees, job creation schemes, logistic and financial assistance to the host country for the provision of public services, trade preferences for products 'made by refugees'

(see section 3.5), or orderly resettlement of especially vulnerable refugees in secondary host countries. In the following subsection, we identify important interventions for better international responsibility sharing that bear upon refugees' labor market integration.

International cooperation to promote the labor market integration of refugees and address host-country concerns

In the spirit of the guiding principles of the International Labour Organization (ILO 2016; see above), which call for more research into the labor market impact of refugees, it is helpful to recall what we already know. There is a large body of research into the labor market effects of immigration that has one broad conclusion: there may be negative effects on residents' wages and employment rates, especially in the short run, but these are typically small compared with other determinants of labor market performance over time (for extensive surveys, see Kerr and Kerr 2011; Glitz 2014b).

The underlying economic intuition is that immigrants, as they work, increase the local supply of goods and services, while their incomes generate additional demand. Substantial negative effects on residents may still arise if the number of immigrants is large relative to the resident population and substantial investment is required to create enough new jobs, or if immigrants are predominantly low-skilled or concentrated in particular regions or sectors so that certain groups of residents face disproportionately more intense competition in the labor market.

Furthermore, there is a smaller body of empirical literature on the economic effects of refugees in low- and middle-income countries when there is international support either for refugees themselves (such as in-kind provision of food and shelter or income support in the form of cash transfers) or for the host government for the provision of public services (for a summary, see Maystadt and Breisinger 2015). In such circumstances, residents typically benefit from increased demand for local goods, services, and accordingly, higher incomes. When refugees live in camps, the income effects may be strongly localized (Taylor et al. 2016a). When refugees are more widely dispersed throughout the resident population, the income effect may be less strong, but also more widely dispersed. With international support for the hosting of refugees, these positive income effects precede any negative consequences of growing competition in some labor market segments.

These insights confirm that there are no compelling economic reasons to hold back on the labor market integration of refugees, which international law and policy documents clearly identify as good practice (see above). At the same time, it is crucial that international assistance is indeed forthcoming, and that the movement and integration of refugees are carefully managed. Several areas of possible policy interventions stand out.

Box 3.4 Land distribution to refugees in Uganda

Lead author: Merlin Ole Pratsch

Uganda is among the top five hosting countries worldwide. By February 2018, 1,411,794 refugees lived in the East African country.^a The majority of refugees come from South Sudan (1,053,598), the Democratic Republic of Congo (276,318), Burundi (40,584), and Somalia (37,193). Refugees who are granted status mostly live alongside local communities and are hosted in organized settlements (74 percent) or settle (if they can afford it) in urban areas such as Kampala (11 percent) or live in transit centers (15 percent) (Ruauadel and Morrison-Métois 2017, 1).

Uganda's Refugee Act 2006 and Refugee Regulations 2010 comprise the right to seek employment, relative freedom of movement, and access to farmland for personal use set aside by the government. Uganda follows a self-reliance strategy, providing refugees with non-food items such as tools, a plot of land, and food rations until they are self-sufficient (Kreibaum 2016). Access to land is influenced by factors such as registration as a refugee, duration of stay, marital status, and employment status. It "refers to the ability of refugees to use allocated land for residential and cultivation purposes in order to enhance self-reliance rather than being considered a legal right" (World Bank Group 2016a, xii, 44–45).

Research shows that refugees farm the allocated or leased land intensively. Additionally, access to land increases local income spillovers by refugees receiving cash as well as by those receiving food aid. At the Rwamwanja camp, a refugee settlement in southwestern Uganda, this results in an income spillover of US\$876 for each additional refugee household provided with cash and farmland (Taylor et al. 2016b, 2). The trading activities of refugees impact on the local and national economies and create networks between refugee settlements and Ugandans. Uganda's rather progressive refugee policy is sustained by the hospitality of the local population, which is based on "the cultural, linguistic, and ethnic affinities between Ugandans and many of the refugees from across the border" (World Bank Group 2016a, 16, 28). Also, refugees are normally well informed about Uganda's refugee policy.

On average, Burundian refugees have stayed in Uganda for 15 years, Sudanese for 11 years and Congolese for 5 years (World Bank Group 2016a, 60). For many refugees returning to their home country is not an option due to continued instability.

However, there are obstacles regarding local integration in the long term. Although discussion about naturalization is ongoing, refugees and their descendants born in Uganda currently remain refugees for life (World Bank Group 2016a, 71). Thus, they "cannot own the homes they live in or the land they cultivate" (Ruauadel and Morrison-Métois 2017, 9). Further, there are legal obscurities concerning "whether refugees are exempted from obtaining a permit to work" (Ruauadel and Morrison-Métois 2017, 9). Regarding type of employment, skills, location of the settlement, and productive capital, livelihood opportunities vary significantly and the focus on agriculture of the Ugandan government and the international community can become problematic (Ruauadel and Morrison-Métois 2017, 12). Currently, Uganda hosts more refugees than ever before. The influx of South Sudanese refugees increased significantly when fighting broke out in July 2016. Fertile land has become a scarce resource and the allocated land sometimes does not produce a sufficient harvest. Moreover, some settlements are isolated, located in the poorest regions of the country, and have very limited opportunities of formal employment. High costs and ambiguity over whether freedom of movement applies to refugees living in settlements potentially limit possibilities to change location. Additionally, UNHCR humanitarian assistance is tied to the designated settlements (World Bank Group 2016a).

Since 2015 the Settlement Transformative Agenda (STA) has included refugees in Uganda's National Development Plan. To support the STA a five-year government strategy of up to \$350 million was developed, involving UN agencies, the World Bank, development partners, and the private sector. Known as "Refugee and Host Population Empowerment" (ReHoPe), it aims at "resilience-building efforts for refugees and host communities" (Ruauadel and Morrison-Métois 2017, 10). The strategy has stimulated the engagement of development actors. But overall there "has been limited funding, a lack of development actors and a lack of space within the response architecture for early solutions planning that would focus on activities more geared toward building self-reliance" (Ruauadel and Morrison-Métois 2017, 11). For 2017, the UNHCR reported an overall funding gap for Uganda of \$348.7 million (\$220.1 million of the required \$568.8 million in contributions was received).^b

^a UNHCR Uganda Refugee Response Portal (February 2018); in 2015 the overall population was 40,145,000 based on UN estimates.

^b UNHCR Uganda Refugee Response Portal: "Uganda Funding Update 01/2018."

For a start, in some host countries with large refugee populations, there are potential areas of conflict between residents and refugees over access to resources: public health care services, schools, housing, or jobs in the formal sector. Some low- and middle-income countries also maintain subsidies for basic necessities such as food and energy, which become costlier when consumption increases. Since low- and middle-income countries may not have the necessary fiscal capacity to resolve these conflicts, logistic and financial assistance from the international community within a framework of international responsibility sharing is crucial. By resolving potential conflicts, international assistance helps to ensure that popular opinion does not turn against the presence of refugees, which could render labor market integration politically infeasible.

We have argued elsewhere that there is a pressing need for more such international assistance and for better coordination between humanitarian and development assistance (Lücke and Schneiderheinze 2017). It is nonetheless encouraging that some financial assistance from the international community is already taking the form of direct budgetary support for host governments and helping to resolve potential conflicts over the allocation of government expenditures (for example, International Monetary Fund/EU macro-financial assistance to Jordan or budget support loans or grants from the World Bank and the EU to both Lebanon and Jordan).

In addition, if refugees (i) need to work to survive, but (ii) are denied work permits for the formal sector, it becomes more likely that competition from refugees will harm some groups of native workers (for example, in the case of Syrian refugees in Turkey, Turkish low-skilled informal workers, and women—see Tumen 2016; Del Carpio and Wagner 2015). These negative effects arise precisely from the restrictions on refugees' labor market participation, combined with insufficient income support that might otherwise reduce the pressure to find (informal) work and increase their reservation wage. If refugees had better access to the whole of the labor market, the negative effects would dissipate, rather than magnify.

It may be politically counterintuitive for the host government to expand labor market access for refugees when there are already visible negative effects on the labor market. It may also be politically challenging to discard, simultaneously, the misleading notion that refugees will only stay temporarily and may therefore be hosted under makeshift conditions, where the lack of dignity can only be justified by the supposed short duration of their stay. Under such circumstances, generous international assistance within a responsibility-sharing framework may render the host government's position easier to sustain. Even so, if the ultimate objective is a life with dignity for refugees, labor market access is as important as international assistance. It is therefore appropriate to condition international assistance on specific steps toward fully implementing labor

market access (on the example of Jordan, see box 3.3).

Furthermore, and maybe less controversially, low- and middle-income countries may benefit from the experiences of refugees who struggle to integrate into high-income country labor markets, where work permits are often no longer an issue and the focus shifts toward 'mediating' conditions. The most important impediment to speedy integration is typically the refugees' lack of knowledge of the local language. While language classes are a good start, effective language learning requires immersion with speakers of the local language, which is difficult to organize. Many programs seek to combine language learning with work experience and vocational training (for an early review, see IAW 2017).

Much effort is also put into assisting refugees with the recognition of professional qualifications and the certification of skills that they may possess but of which they have no written proof. Some of these concerns may be less prominent when the countries of origin and residence are more similar in terms of economic development, skill requirements, and the degree of formality of their labor markets. Nevertheless, measures to equip refugees better to succeed in host-country labor markets would be in everyone's interest and can be assisted by international donors. The distribution of agricultural land to refugees in Uganda is an interesting initiative that allows refugees to use their acquired professional skills, made possible by a relative abundance of land in the host country (see box 3.4).

Finally, if refugees are clustered within the host country (as many refugees are, whether or not they live in camps), it is worth exploring whether they possess skills through which they might sustain the development of particular economic sectors. In this context, export-processing zones have been proposed as a tool to promote industrial development to employ refugee workers (Betts and Collier 2017). Manufacturing industries are potentially suitable for creating a large number of jobs because they are footloose in the sense that they do not depend on natural resources or highly specialized skills (Yücer and Siroën 2017). Still, for firms to become successful exporters of manufactures, they need a favorable business environment, good transport infrastructure to connect with the world market, and a substantial number of experienced industrial workers all in one place. In section 3.5, we discuss in detail why the ongoing efforts to promote manufactured exports from Jordan 'made by' Syrian refugees have met with little success so far.

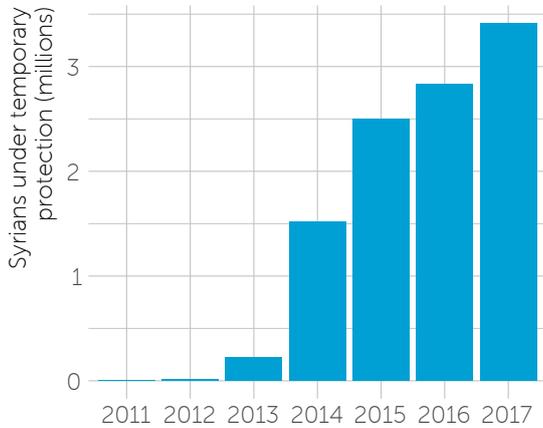
Case study: Refugee entrepreneurship— Syrian-owned businesses in Turkey

Lead author: Omar Kadkoy

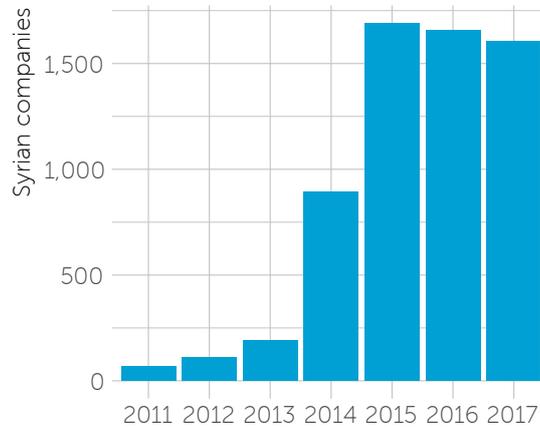
By December 2017, well into the seventh year of the Syrian war, more than half the pre-war population had been forcibly displaced from their homes: while 6.1

Figure 3.8 Syrian refugees vs. partially or wholly Syrian-owned firms in Turkey, 2010–17

a. Number of registered Syrians under temporary protection



b. Number of Syrian companies



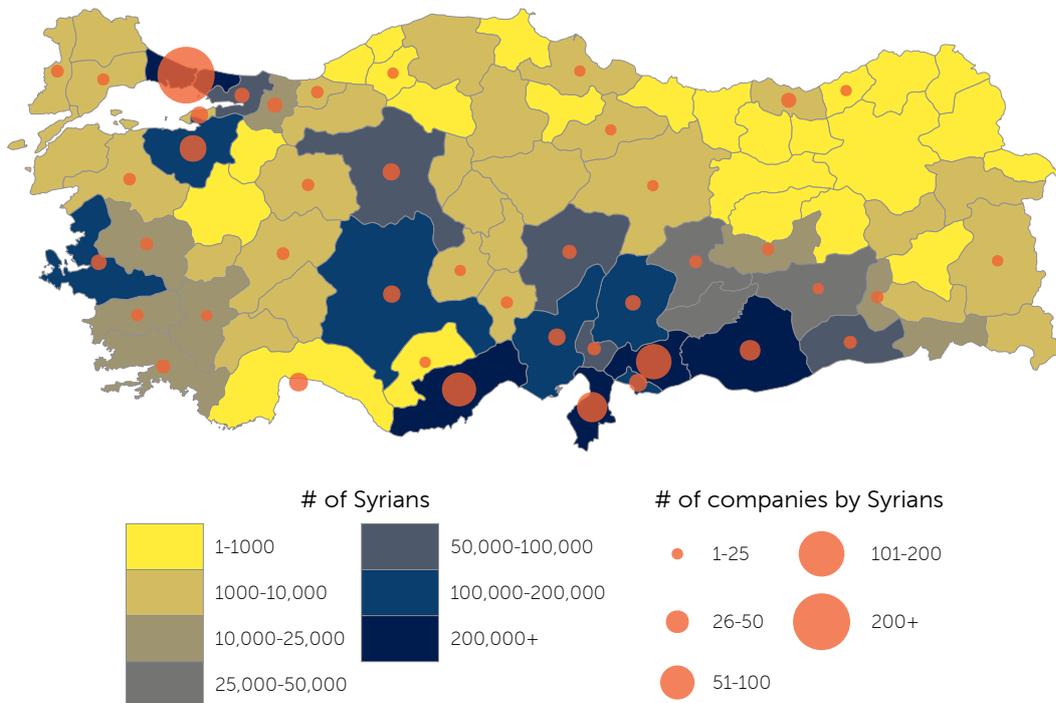
Sources: Directorate-General for Migration Management, TOBB, and T24.

million individuals were internally displaced within Syria,²⁷ 5.4 million lived abroad as refugees, mostly in neighboring countries.²⁸ With only 8 percent of Syrian refugees residing in camps,²⁹ most now live dispersed in urban areas and have to provide for their own livelihoods. This calls for economic integration in the host

economy, either as employees or as (self-employed) entrepreneurs.

In this case study, we focus on Syrian-owned companies in Turkey. Turkey hosts 3.4 million Syrian refugees—more than half of all international refugees from Syria and more than 4 percent of the Turkish population.

Map 3.3 Geographical distribution of Syrian companies in Turkey



Sources: Directorate-General for Migration Management and TOBB.

²⁷ See United Nations Office for the Coordination of Humanitarian Affairs (accessed 26 December 2017) <http://www.unocha.org/syria>.

²⁸ See the UNHCR operational portal for refugee situations (accessed 26 December 2017) <http://data.unhcr.org/syrianrefugees/regional.php>; see also United Nations, Department of Economic and Social Affairs, Population Division (2010).

²⁹ See the UNHCR operational portal for refugee situations, <http://data.unhcr.org/syrianrefugees/regional.php>.

The evidence regarding the effects of Syrian refugees on the Turkish labor market is somewhat mixed. Cengiz and Tekguc (2018) conclude that Syrians do not have an unfavorable employment or wage effect on local workers. By contrast, Ceritoglu et al. (2017) find that although Syrians' overall impact on the labor market is limited, certain disadvantaged groups of local workers are negatively affected (e.g., women, younger workers, and less-educated workers). What is less well known is that, starting from humble beginnings, the number of companies in Turkey partly or wholly owned by Syrians between January and October 2017 was 1,605.³⁰ In this case study, we discuss the drivers of this rapid growth, the policy environment, and the economic impact of Syrian-owned companies on employment and exports in Turkey.

The number of Syrian-owned firms in Turkey has grown along with the inflow of Syrian refugees (figure 3.8). A spike in the number of new companies took place in 2014 when 892 companies were established with registered capital of US\$75.8 million. In the same year, there was a spike in the number of Syrians who entered Turkey. The Directorate-General of Migration Management indicates that 1.3 million Syrians entered Turkey in 2014. Similarly, when another 1 million Syrians entered Turkey in 2015, 1,690 Syrian companies were newly established with total seed capital of \$104.1 million.

The inflow of Syrian refugees slowed down sharply when Turkey ended its open door policy in January 2016

and imposed a visa requirement on Syrians seeking to enter Turkey. Nonetheless, a record 1,656 new companies were registered in 2016, with registered company capital in the amount of \$107.9 million. Both numbers will probably be surpassed for 2017 as 1,605 new companies had already been registered by the end of October. In each year since 2014, Syrian companies have accounted for about one in four foreign companies registered in Turkey, with foreign companies accounting for around 10 percent of the over 60,000 firms established annually in Turkey.³¹

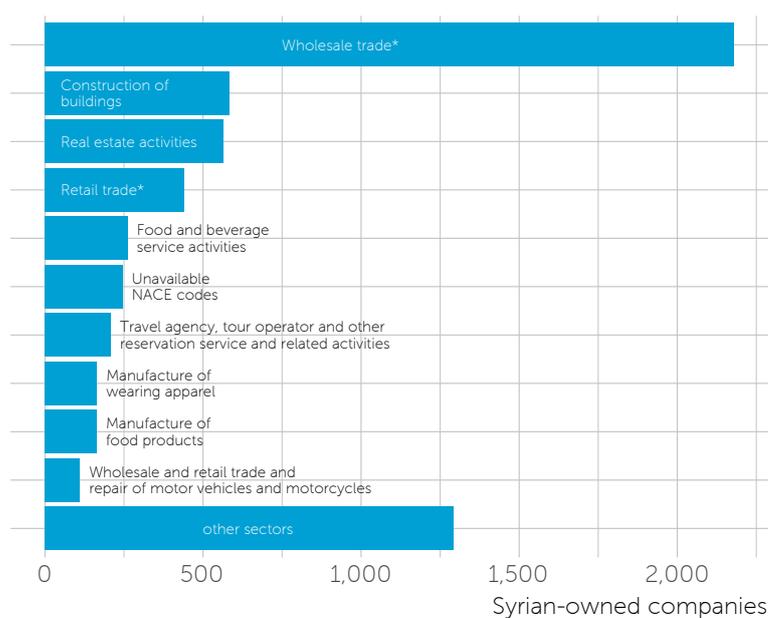
Geographically speaking, we see two major clusters of these companies (map 3.3): first, Istanbul, which is in fact home to almost half of all the companies; and second, southeastern Turkey near the Syrian-Turkish border with 17 percent of the Syrian companies. Furthermore, we can pinpoint another three locations for Syrian firms: the province of Mersin (12 percent), Hatay (another border province, 8 percent), and the Marmara region, where the province of Bursa hosts 6 percent.

While the number of Syrian-owned companies has grown rapidly, these data have to be taken with a grain of salt because, in Turkey, companies are sometimes established for other than business purposes. In particular, an obsolete 1934 law prohibited Syrians from buying property as a result of Turkey claiming the former Sanjak of Alexandretta, the present-day Hatay province, as part of its territory. Turkey relaxed this law in 2012 and since then Syrians have been able to set up shell companies to buy and register property in Hatay province under the company's name.³²

Unfortunately, the available data on Syrian-owned companies compiled by the Union of Chambers and Commodity Exchanges of Turkey (TOBB) do not include information on employment or other economic variables. A recent survey of 230 Syrian entrepreneurs in Istanbul and Gaziantep suggests that the Syrian companies are mostly very small, employing on average only 9.4 people—both locals and Syrians. Over half of these companies said they would hire 8.2 more employees in 2017 (Ucak et al. 2017).

In terms of sectoral focus, Syrian-owned companies are especially involved in wholesale trade (2,180 out of 6,212 companies; see figure 3.9). Other services make up most of the rest: construction, real estate, retail trade, food and beverage services, travel, and transport. Manufacturing plays only a small role, with some production of wearing apparel and food products. The focus on services is reminiscent of the sectoral structure of the Syrian economy before the war: the share of wholesale and retail trade in value added and employment was unusually large, given Syria's level of economic development, while the manufacturing industry was small and limited to apparel and food products.

Figure 3.9 Top 10 sectors in which Syrian-owned companies operate in Turkey, October 2017



*Except for motor vehicles and motorcycles

Source: TOBB; TEPAV calculations.

³⁰ Source: TEPAV's private access to the Union of Chambers and Commodity Exchanges of Turkey (TOBB) database.

³¹ Source: TOBB statistics on established/closed companies, <https://www.tobb.org.tr/BilgiErisimMudurlugu/Sayfalar/KurulanKapananSirketistatistikleri.php>.

³² Land Registration Law No. 2644 (1934), <http://www.mevzuat.gov.tr/MevzuatMetin/1.3.2644.pdf>.

When immigrants move to a new country, they carry with them know-how: familiarity with the business culture, regulations, policies, and the language of their country of origin. This may be especially important when the host country is situated close to the country of origin and there are economic relations between the two. In this case, immigrant and refugee entrepreneurs may form a business bridge between the old and new markets. This is seen in a number of studies that have found a positive relationship between migrants and foreign trade (Head and Ries 1998; Herander and Saavedra 2005; Jansen and Piermartini 2009).

The impact on trade varies and depends greatly on the size of the immigrant population. A detailed example comes from Sweden: Hatzigeorgiou (2010) analyzes Sweden's trade and migration data between 2002 and 2007 and finds that an increase of 10 percent in the immigrant stock correlates with a 6 percent increase in exports and a 9 percent increase in imports. Trade consisted largely of differentiated goods, which require a deeper knowledge of the destination market, rather than homogeneous goods. This observation indicates that migrants' knowledge of the market dynamics in their home economies was a factor. This also seems to be the case with Syrian entrepreneurs in Turkey. Although almost half the Syrian-owned companies are located in Istanbul, which has always been a hub for Turkish exports to Syria, exports to Syria are now especially strong from firms in southeastern Turkey.

Regarding the business environment for Syrian-owned companies, they do not seem to face any particular, arbitrary bureaucratic obstacles. That said, the Turkish Ministry of Labor and Social Security issues a work permit for a foreign partner of a company established in Turkey only in reciprocity for the company hiring five Turkish citizens.³⁵ Officially, a Syrian company with one or more partners is obliged to follow the law, but evidence from the field suggests that this is not the case in practice.

At the same time, Syrian-established companies naturally face several significant challenges, with the Turkish language at the top of the list. Anecdotal evidence suggests that partnerships with local businesses may help to overcome this specific hurdle. Another challenge is access to banking services. Typically, Syrian business owners cannot showcase their credit history in Syria, which limits their access to commercial banking services. Some of the lucky business owners with a bank account suffer from the prohibition on conducting international money transfers in a foreign currency. At the domestic level, they can conduct the transaction in a foreign currency with branches of the same bank. Otherwise, money transfers in a foreign currency between two different domestic banks are not allowed—either due to banks' internal policies or to the sanctions imposed on Syria and its citizens. For the latter reason, banks will not be involved in any activity that could be a business front for a sanctioned Syrian figure. This leaves Syrians with two options: (i) conduct the transaction in the old-fashioned way—go in person and make or receive a payment in foreign exchange cash; or (ii) seek a parallel and illegal money transfer system through foreign exchange offices run by Syrians, which often assume the banks' role in international money transfers.

Through their companies and the jobs that they create, Syrian entrepreneurs weave themselves into the fabric of the Turkish economy. In spite of significant obstacles, they have successfully integrated into the export value chains of the local economy, relying on networks and know-how brought from home. Yet there is room for these entrepreneurs to play a more inclusive economic role, including by hiring more Turkish staff. Moreover, many Syrian entrepreneurs would benefit from learning more about Turkey's incentive system and trade regulations in order to further expand their companies and to encourage other potential Syrian entrepreneurs.

3.4 How donors respond to refugee movements

Lead authors: Mauro Lanati and Rainer Thiele

An unprecedented 65.5 million people around the world have been forced from home due to conflict and crisis (UNHCR 2017a). Among them are nearly 22.5 million refugees who have fled their home countries, and 43 million internally displaced persons (IDPs). The vast majority of the refugees are hosted in low- and middle-income countries. Since the start of the Syrian crisis in 2011, for instance, almost 5 million people have fled to nearby Turkey,

Lebanon, and Jordan, whose capacity to manage the inflows is constrained.

This inability of refugee-hosting countries to address the challenges on their own should provide a strong reason for the richer neighbors to give foreign aid, irrespective of whether the underlying motive is to altruistically share the burden of caring for the refugees or to prevent them from moving on to the donor countries. Previous studies have shown that with

³⁵ Ministry of Labor and Social Security, work-permit evaluation criteria, <https://www.csgeb.gov.tr/uigm/contents/calismaizni/izindegerlendirmekriterleri/>.

appropriate and sufficient external financing, hosting refugees can create opportunities for local economic development (e.g., Maystadt and Verwimp 2014; Taylor et al. 2016a). Whether official development assistance (ODA) can actually lead to lower refugee flows is still an open question. Our own research suggests that foreign assistance can reduce migration from developing countries if it improves the quality of public services (Lanati and Thiele 2017a).³⁴ The opposite may happen if it raises the incomes of poor people who only then can incur the cost of migrating.

The EU appears to consider ODA an essential part of a long-term solution to the recent refugee crisis. The partnership agreements recently signed by the EU with countries of origin, transit, and first asylum explicitly include foreign aid as one pillar that addresses not only short-term emergencies but also long-term goals, such as promoting development and addressing the root causes of irregular migration. However, previous empirical research conducted by Czaika and Mayer (2011) for the period 1992–2003 has shown that only the humanitarian aid allocation was responsive to the presence of refugees in countries of first asylum, while donors did not adjust their long-term development aid budgets.

A leading question of this section is whether the responsiveness of long-term development aid has improved more recently or donors have merely paid lip service to the goal of supporting countries of first asylum. In doing so, we proceed in two steps. We first take a longer-term perspective covering the period 1992–2016 for a broad cross-section of countries in order to evaluate whether the general pattern revealed by Czaika and Mayer has continued to characterize donor behavior. In a second step, we zoom in on the more recent experience of individual countries. Specifically, we investigate in more detail the recent developments in foreign assistance to Lebanon, Jordan, and Turkey. These are the dominant countries of first asylum for Syrian refugees, with which the EU has signed partnership agreements. We also take a closer look at the EU Migration Partnership Framework, which currently covers five priority countries of origin and transit in Africa: Mali, Nigeria, Niger, Senegal, and Ethiopia. This framework consists of a more short-term component that is mainly concerned with humanitarian issues and the management of refugee flows as well as a long-term component that aims at addressing partner countries' development needs.³⁵ By focusing on EU assistance for long-term development within these partnerships, our analysis is complementary to the discussion of refugee management in chapter 1.

The ultimate objective of this section is to assess whether donors have become more willing to share responsibility for refugees with poorer countries, and in particular whether the recent EU compacts constitute a meaningful initiative toward this end.

Longer-term developments across countries

In this subsection, the aim is to identify general changes in donors' approach toward forced displacement, which includes refugees hosted in countries of first asylum and IDPs. Figure 3.10 compares the trend over time in aid commitments to the 10 countries with the highest number of IDPs and hosted refugees with the trend of average ODA allocated to developing countries. A similar pattern applies to both humanitarian aid (panel a) and non-humanitarian or development aid (panel b). The trends for countries with a high number of IDPs and countries of first asylum both progressively diverge over time from the mean of all aid recipients, in particular since 2005. This points to a relatively higher priority awarded to refugee movements in the last 10 to 12 years, which is equally visible for longer-term development goals and short-term emergency concerns in affected countries. The stronger focus on refugees after 2005 is shared by both bilateral and multilateral donors.

However, the statistics reported in figure 3.10 provide just a rough indication of the donors' reaction to refugee movements and should therefore be interpreted with caution. On the one hand, the structural break in 2005 is partly due to a larger share of ODA allocated to countries with a permanently large number of IDPs or hosted refugees, such as Kenya, Afghanistan, and Pakistan, which may indeed indicate a change in donor behavior. On the other hand, the diverging trends over time may also reflect a change in the composition of the main hosts of refugees and IDPs. In particular, Ethiopia, Syria, Turkey, and Jordan, which have been hosting a very large number of refugees only in recent years, are receiving very high aid volumes. Furthermore, countries may receive aid for reasons other than the presence of refugees. For instance, it has been shown that strategic interests, such as preserving ties with former colonies (Alesina and Dollar 2000) or fostering trade relations (e.g., Berthelemy 2006), strongly shape donors' choice of recipient countries. Failing to account for these important drivers of aid allocation may lead to an overestimation of the actual impact of refugee movements.

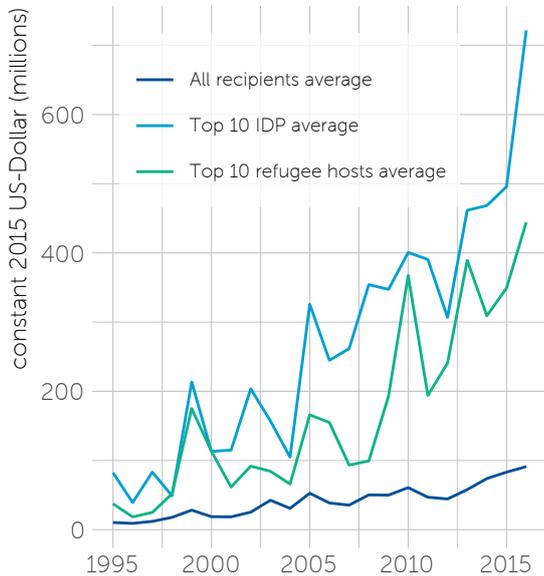
To address this statistical issue, we run a simple regression where we estimate the impact of refugee migration on ODA allocation controlling for several factors that may potentially affect the geographical pattern of aid. As in Czaika and Mayer (2011), the key explanatory variables consist of four different categories of refugee movements, namely (i) IDPs, that is refugees who have not (yet) crossed their national borders; (ii) the overall number of cross-border refugees stemming from the respective country of origin (*Ref Origin*); (iii) the overall number of refugees hosted by a recipient country (*Ref Asylum*); and (iv) asylum appli-

³⁴ For a discussion of the link between aid and migration, see also section 4.2 of the 2017 MEDAM Assessment Report (Lanati and Thiele 2017b).

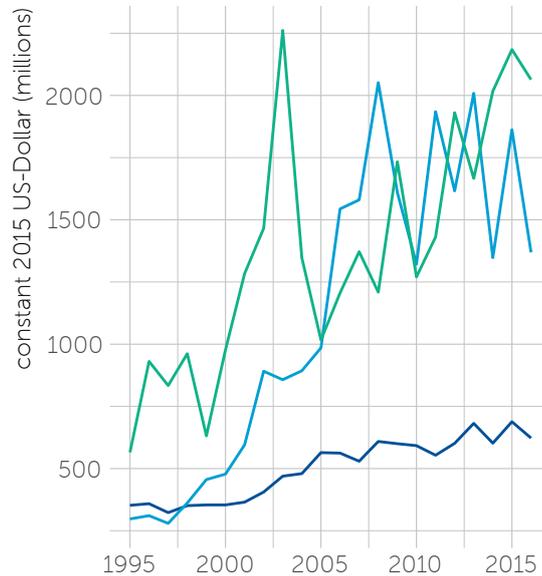
³⁵ See box 4.3 in the 2017 MEDAM Assessment Report (*supra*) for a brief description of the EU Migration Partnership Framework.

Figure 3.10 Trends in ODA over time

a. All recipients vs. top IDP and top hosting refugees (Humanitarian ODA, all donors)



b. All recipients vs. top IDP and top hosting refugees (Non-humanitarian ODA, all donors)



Source: Own calculations, based on the OECD Common Reporting Standard dataset and OECD–DAC International Development Statistics (database).
 Note: The figures show the trend over time of the average humanitarian and non-humanitarian ODA allocated by all donors (one year lagged) to the top 10 IDP- and refugee-hosting countries. Data on humanitarian aid are from the OECD Common Reporting Standard dataset, while the data on non-humanitarian ODA are obtained subtracting humanitarian ODA from total ODA allocation (OECD–DAC International Development Statistics database). IDP = internally displaced person; ODA = official development assistance.

cants in the Western donor country stemming from the respective aid-receiving country (*Asylum Seeker*). For all categories, data are provided by the UNHCR and cover the period 2001–15. The variables are lagged by one year as donors are unlikely to respond instantaneously. Along with the core explanatory variables we include a set of controls that capture donors’ strategic interests (aggregate trade flows), recipient governance (World Bank indicators of corruption and of voice and accountability) and recipient need (GDP per capita, the presence of conflicts, and casualties caused by natural disasters).

The regression results are reported in table 3.1.³⁶ From columns 1 and 2, it can be seen that humanitarian aid responds more strongly to refugees in countries of first asylum and IDPs than development aid. According to our estimates, a doubling in the number of hosted refugees and IDPs increases the allocated amount of bilateral humanitarian aid by 9 percent and 6 percent, respectively, while it increases the amount of non-humanitarian aid by only 2 percent in each of the two categories. As shown in column 3, the positive but modest response of non-humanitarian aid continues to hold when restricting the analysis to the more recent period since 2006 for which the descriptive evidence pointed to an increasing focus on countries hosting refugees

and IDPs. This still constitutes an improvement over the situation prior to 2005, where according to Czaika and Mayer (2011) first-asylum host countries and countries with a high number of IDPs were rather discriminated against in terms of the aid allocated. Since 2006, long-term aid commitments have also become highly sensitive to the origin of refugees and to a lesser extent to the sending countries of asylum applicants. Taken together, these results indicate a general increase in donor responsiveness to refugee movements.

Overall, along with the earlier findings of Czaika and Mayer (2011), our results point to a modestly growing commitment of donors to long-term assistance against the background of a fairly strong responsiveness of humanitarian aid. It is difficult to say, however, whether this is due to altruistic burden-sharing motivations or the strategic interests of donor states. European donors, for instance, may send aid to countries of first asylum like Turkey, Lebanon, or Jordan as compensation for providing long-lasting protection to refugees, or in order to prevent further destabilization of these countries and to reduce the emigration pressure toward EU countries. In the next subsection, we take a closer look at the EU’s aid relationship with Turkey, Lebanon, and Jordan in the wake of the Syrian crisis.

³⁶ We do not report the impact of the control variables, which generally is as expected.

Table 3.1 Response of foreign aid to refugee movements, 2002–16

ODA	(1) In (BilAid _{ni,t}) Humanitarian	(2) In (BilAid _{ni,t}) Non-Humanitarian	(3) In (BilAid _{ni,t}) Non-Humanitarian
Donors	All	All	All
Sample	Humanitarian	Full	If Year 2006
In (Asylum Seekers _{in,t-1})	-0.023 (-1.23)	0.011 (1.48)	0.017* (1.74)
In (Ref Origin _{i,t-1})	0.123*** (4.88)	0.024*** (2.25)	0.070*** (3.71)
In (Ref Asylum _{i,t-1})	0.090*** (5.61)	0.017*** (2.81)	0.027*** (3.23)
In (IDP _{i,t-1})	0.059*** (10.86)	0.019*** (5.82)	0.013*** (3.24)

Source: Own estimations.

Note: Robust standard errors are included. The model includes the intercept. The full sample includes 137 recipients (countries of origin), 34 donors (countries of destination). All the variables associated with refugees are logged as $\ln(1+var)$. The missing observations for Asylum Seekers, refugees who have not (yet) crossed their national borders (IDPs), the overall number of cross-border refugees stemming from the respective country of origin (*Ref Origin*) and the overall number of refugees hosted by a recipient country (*Ref Asylum*) are treated as zeros. ODA is expressed in 2015 constant US\$ millions.

t statistics in parentheses; * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

EU compacts with individual countries

EU partnerships with countries of first asylum as well as countries of origin and transit are considered in this subsection with a focus on whether the long-term development needs of the recipients are adequately taken into account.

Countries of first asylum

Following the London conference on “Supporting Syria and the Region” of February 2016, the EU has adopted a support package for Lebanon and Jordan based on mutual commitments and with a comprehensive approach, where humanitarian aid is supposed to be complemented with long-term development assistance that aims to benefit refugees as well as vulnerable host communities. In these partnerships—or *compacts*—the stated long-term objective is to turn the Syrian refugee crisis into a development opportunity. To this end, multiyear development assistance employed in strategic sectors should promote better services, growth, and job opportunities in contexts heavily affected by the refugee crisis. The EU-Turkey agreement of March 2016, with its main aim of ending the irregular migration from Turkey to the EU, also includes a similar multiyear development assistance component under the Facility for Refugees in Turkey.

Figure 3.11 shows how much foreign aid the EU’s members and its institutions have been allocating—on average—to Lebanon, Turkey, and Jordan over time in comparison with the average aid given to developing

countries. A clearly positive response to the Syrian refugee crisis can be observed, with dramatic increases in both humanitarian and non-humanitarian assistance since the onset of the Syrian war. Most notably, the EU appears to have acted according to its stated goal of creating long-term development opportunities in countries of first asylum before concluding the bilateral agreements. In 2015, for example, the humanitarian aid provided by EU member states represented less than a third of the total development assistance received on average by Lebanon, Jordan, and Turkey.

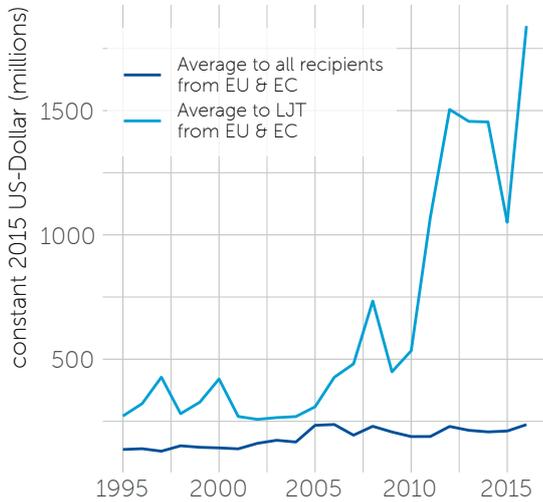
For Lebanon, which is currently hosting over a million refugees, the European Commission has allocated almost €900 million in assistance to refugees and vulnerable local communities since the beginning of the refugee crisis. Only around €350 million of this aid volume has been in the form of humanitarian aid, while the remaining funds have a long-term perspective and are mainly devoted to social programs favoring access to education and training, health, livelihoods, and basic services.³⁷ A notable example is the program to expand education access for all Lebanese and Syrian children through the ‘Reaching All Children with Education’ initiative launched by the Lebanese Ministry of Education.

Likewise, the European Commission has allocated over €1 billion to Jordan in response to the Syrian crisis, addressing both refugees and host community needs. As in Lebanon, education is a priority target of development assistance: funds are used, for instance,

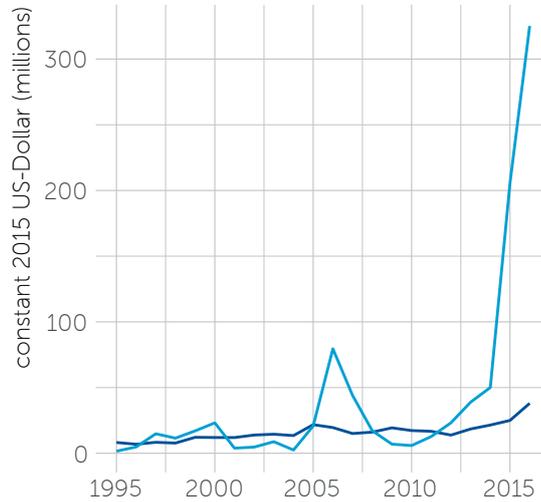
³⁷For details on the EU-Lebanon partnership, see https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/countries/lebanon_en.

Figure 3.11 European ODA to Lebanon, Jordan, and Turkey
(ODA is expressed in 2015 constant US\$millions)

a. All recipients vs. Lebanon, Turkey, and Jordan
(Non-humanitarian ODA, EU+EC donors)



b. All recipients vs. Lebanon, Turkey, and Jordan
(Humanitarian ODA, EU+EC donors)



Source: Own calculations.

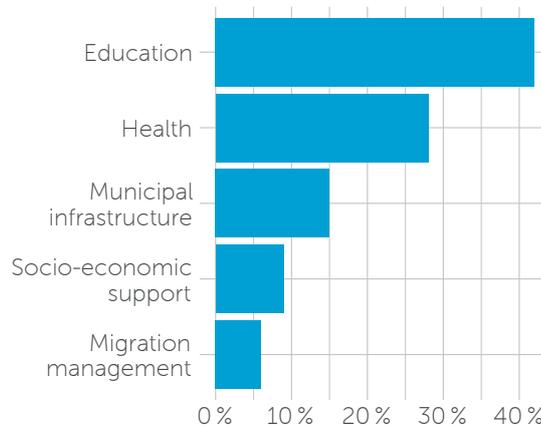
Note: The figures show the trend over time of the average humanitarian and non-humanitarian ODA allocated (one year lagged) to Lebanon, Jordan, and Turkey (LJT) by EU members and institutions. ODA = official development assistance; EC = European Commission.

to cover the cost of providing education for Syrian refugee children in Jordanian public schools and studying opportunities for university students. Within the Jordan Compact, the provision of long-term assistance complements trade preferences granted in the form of relaxed rules of origin for exports to the EU in designated special development zones if they employ a minimum share of Syrian refugees (see section 3.5).

Turkey hosts the largest number of Syrian refugees (over 3 million) and accordingly also receives the lion’s share of EU support. The EU is about to complete the disbursement of the initially allocated €3 billion under the Facility for Refugees in Turkey, and up to an additional €3 billion is supposed to be allocated once the first tranche is fully utilized.³⁸ In contrast to the compacts with Lebanon and Jordan, which could at least in principle be seen as a means of sharing the burden of caring for refugees, the Turkey-EU agreement is perceived as purely reflecting the EU’s strategic interest in preventing Syrian refugees from crossing Turkish borders. The long-term effectiveness of this “cash for containment approach” by the EU has been questioned (e.g., CGD 2017), as it uses aid flows together with the ‘one-for-one’ resettlement mechanism—an additional Syrian refugee will be resettled in the EU for every Syrian migrant returned from the EU to Turkey—to simply compensate Turkey for keeping Syrian refugees within its borders, rather than yielding long-term solutions and development progress. Yet, the first ODA tranche under the

Facility of Refugees in Turkey still contains a large non-humanitarian component (€1.6 billion). As shown in figure 3.12, 70 percent of this aid is spent on health and education projects. These include, for instance, training for Syrian doctors and nurses or the provision of transportation for school children. This again stresses that EU donors regard long-term development assistance, and in

Figure 3.12 Breakdown of non-humanitarian aid to Turkey



Source: European Commission, “First Annual Report on the Facility for Refugees in Turkey,” COM(2017) 103 final, Brussels (March 2, 2017), https://ec.europa.eu/neighbourhoodenlargement/sites/near/files/170302_facility_for_refugees_in_turkey_first_annual_report.pdf.

³⁸ For more details on the EU-Turkey agreement, see http://europa.eu/rapid/press-release_MEMO-16-963_it.htm.

particular support for the social sector, as an integral part of their response to the refugee crisis.

Countries of origin and transit

The EU Migration Partnership Framework focuses on five priority countries of origin and transit—Niger, Mali, Senegal, Ethiopia, and Nigeria—but also includes a number of non-priority countries in North Africa (Morocco, Algeria, Tunisia, Libya, and Egypt), and West Africa (Ghana, Guinea, and Côte d’Ivoire) as well as West and South Asia (Iran, Afghanistan, Pakistan, and Bangladesh). Along the same lines as the agreements with Lebanon, Jordan, and Turkey, it explicitly aims at addressing the root causes of irregular migration and forced displacement by supporting partner countries through the provision of long-term development assistance. This long-term goal is meant to complement the more short-term goal of improving migration management (see box 4.3 in Lanati and Thiele (2017b)).

Nevertheless, the positive judgment of the ongoing partnership that emerges from the European Commission’s fifth progress report from September 2017 is predominantly based on the achievement of the *short-term goals*—such as reductions in the number of irregular crossings through the Central Mediterranean route, improved border controls, and fighting smugglers.³⁹ The success story brought to the fore by the European Commission is Niger, where the ongoing cooperation with the EU has produced positive results in terms of stepped-up border controls and fighting trafficking.

There is hardly any mention in the report of projects addressing long-term development goals. The number of projects implemented under the main funding instrument of the Partnership Framework, the EU Trust Fund for Africa, has accelerated over time, but most of these projects are directly related to the containment of migrant flows, for instance through financial and logistical support for voluntary returns of irregular migrants to their countries of origin, such as Nigeria and Senegal.⁴⁰ Among the few examples where local development needs are explicitly taken into consideration are two projects in Niger: one has the objective to support livelihoods and to create alternative job opportunities to human trafficking, while the other aims to improve basic services and resilience in peripheral regions on migration routes in north-eastern Niger.

Conclusions

The recent refugee movements into the EU have led to a situation where almost all pledges of foreign aid are routinely accompanied by statements arguing that

assisting poor countries gives their people an incentive to stay at home. Development aid is thus regarded as an essential component of a long-term strategy that addresses the root causes of migration through the creation of job opportunities, quality education, and better services. Concerning actual donor behavior, however, previous research revealed the unresponsiveness of long-term development cooperation to refugee movements. Yet our analysis points to a change in donor behavior in recent years: rising numbers of IDPs in countries of origin as well as refugees in countries of first asylum have on average been associated with higher long-term aid allocations. The idea that humanitarian assistance must be combined with the creation of development opportunities that would ultimately reduce the incentive for refugee migrants to leave has gained additional momentum through the recent EU agreements with countries of first asylum. According to our previous research (Lanati and Thiele 2017a), by focusing on support for the social sector, the EU agreements may be effective in reducing migrant flows.

The EU’s general approach of providing a mix of humanitarian and non-humanitarian aid is highly welcome. It is more difficult to assess whether its response is adequate in quantitative terms given the extent of the Syrian crisis and the associated costs for the neighboring countries. According to World Bank estimates, hosting over 630,000 registered Syrian refugees costs Jordan over US\$2.5 billion a year, part of which is attributed to subsidized services to refugees (World Bank Group 2015). Likewise, by the end of 2015, the total estimated cost of the Syrian crisis for the Lebanese economy was \$7.5 billion, of which \$1.1 billion was increased expenditure due to the higher demand for public services (World Bank 2016). These numbers inevitably come with a considerable margin of error, but they point to large financing needs, and it has to be noted that the capacity of the middle-income countries hosting the refugees to face such a challenge is rather limited given their current structural economic problems, such as high unemployment and debt. At the same time, the EU has already taken a strong lead in compensating first asylum countries for the costs associated with hosting an unprecedented number of refugees. Turkey in particular is benefiting from the agreement with the EU, but Jordan (€747 million for 2016–17) and Lebanon (€400 million for 2016–17) are also getting substantial extra funds through the signed compacts.⁴¹ The international community as a whole pledged \$6 billion in funding to support humanitarian and development activities in 2017 (\$4.4 billion has been spent or committed), and a further \$3.7 billion for

³⁹ See the full report at https://eeas.europa.eu/sites/eeas/files/20170906_fifth_progress_report_on_the_partnership_framework_with_third_countries_under_the_eam_en_0.pdf

⁴⁰ As of September 4, 2017, 169 contracts were signed for a total amount of over €1.2 billion.

⁴¹ See European Commission, “EU-Jordan Partnership: The Compact,” Brussels (2017), <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/jordan-compact.pdf>; “EU-Lebanon Partnership: The Compact,” Brussels (2017), <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/lebanon-compact.pdf>; and the “EU-Turkey Statement,” Factsheet, Brussels (March 16, 2016), http://europa.eu/rapid/press-release_MEMO-16-963_it.htm.

2018–20, to be shared among Syria, Jordan, Lebanon, Turkey, Iraq, and Egypt.⁴² If all these pledges are kept, the overall availability of funds is unlikely to constitute a major bottleneck.

Rather, the main challenge is to properly implement the funded projects. In order to be effective, the development cooperation must be aligned with the national priorities of the partner country. In this respect, the compacts with Jordan and Lebanon represent a step in the right direction as the funds—especially non-humanitarian aid commitments—are to a large extent allocated in accordance with national action plans, which in the case of Jordan “aim to transform the response to the crises into a development opportunity” (Oxfam 2017). Close coordination with other donor institutions such as the World Bank is another important requirement.

As for the Migration Partnership Framework, the EU needs to better balance its short-term goal of decreasing

irregular migration and increasing migrant returns with long-run development considerations. This is not only due to a moral obligation to support livelihoods in countries such as Mali and Niger, which are among the poorest in the world. A stronger focus on long-term perspectives for local populations would also be in the EU’s own interest, because the enforcement of restrictive migration measures will hardly be sustainable if, for example, there is no attractive alternative employment to people smuggling.

Overall, the international community, and in particular the EU after the Syrian crisis, has shown an increasing willingness to share responsibility for refugees and shift toward a longer-term, development-oriented approach. Yet, short-sighted self-interest continues to play a role as the EU Migration Partnership Framework illustrates.

3.5 Encouraging refugee employment through trade preferences

Lead author: Heliodoro Temprano Arroyo

Labor market integration in countries of first asylum is a key aspect of ensuring decent living conditions for refugees who often remain in those countries for many years. Yet, enough jobs may not easily become available, particularly when a large number of refugees moves to the same national labor market. In such situations, export-oriented manufacturing industry may be one sector where many jobs can be created in a relatively short time in a particular location—provided that refugees come with the necessary skills and that the local business environment and physical infrastructure are conducive to initiating or expanding manufactured exports.

If these preconditions are met, there are several ways in which the EU (and other high-income countries and development donors) may help to jump-start manufactured exports and refugee employment. Financial support from donors may accelerate the necessary private and public investment in production facilities and public infrastructure. When there is no strong tradition of

manufactured exports from the host country, various trade facilitation measures may make local producers aware of export opportunities and alert potential customers to the existing local supply.

In this section, we focus on trade policy measures as a tool to support the labor market integration of refugees in countries of first asylum through labor-intensive, manufactured exports. The EU uses this approach in Jordan, following a suggestion by the Jordanian authorities, as part of the package of measures and assistance included in the EU-Jordan Compact that was agreed at the London conference on “Supporting Syria and the Region” in February 2016.⁴³ The strategy is consistent with the new approach to refugee protection advocated by authors such as Betts and Collier (2017) and enshrined in the new Comprehensive Refugee Response Framework (CRRF) adopted by the UN in 2016, which promotes the economic self-reliance of refugees.⁴⁴ We describe the main features of the EU-Jordan scheme, assess how it is working and com-

⁴² Those commitments are included in the “Post-Brussels Conference Financial Tracking Report”—see the main findings at <https://www.supportingsyria2016.com/news/post-brussels-conference-financial-tracking-report-co-chairs-statement-2/>.

⁴³ See Council of the European Union, “EU-Jordan Partnership Priorities and Compact,” Annex to Decision No. 01/2016 of the 12th EU-Jordan Association Council, September <http://data.consilium.europa.eu/doc/document/ST-12384-2016-ADD-1/en/pdf>. For details of the rules of origin scheme, see Decision No. 1/2016 of the EU-Jordan Association Committee of 19 July 2016 amending the provisions of Protocol 3 to the Euro-Mediterranean Agreement establishing an Association between the European Communities and their Member States, of the one part, and the Hashemite Kingdom of Jordan, of the other part [...]. <https://publications.europa.eu/en/publication-detail/-/publication/a45b2513-6e7e-11e6-b213-01aa75ed71a1/language-en>.

⁴⁴ The CRRF is part of the New York Declaration for Refugees and Migrants adopted by UN countries on 19 September 2016 and will be a core component of the Global Compact on Refugees to be adopted by the UN toward the end of 2018. See <http://www.unhcr.org/57e39d987>.

pare it with other similar initiatives on trade preferences in the region. Finally, we discuss the conditions under which trade preferences can effectively promote the labor market integration of refugees.⁴⁵

Main features of the EU scheme easing the rules of origin for Jordanian exports employing refugees

The scheme entered into force in July 2016, initially for 10 years. Most of Jordan's industrial goods exports to the EU are already exempt from EU import tariffs under the EU-Jordan Association Agreement that entered into force in 2002, provided they meet its minimum local content requirements. The new scheme grants additional privileges to Jordanian exports by easing the rules of origin, which determine when a product can be considered to have been made in Jordan. Specifically, they ease those rules for Jordanian export companies that employ a minimum share of Syrian refugees and produce in one of 18 designated Special Development Zones and Industrial Areas. The minimum share is 15 percent of the total workforce during the first two years of the scheme, and 25 percent thereafter. The scheme covers a list of selected industrial items included in 50 chapters of the Harmonized System (HS) Code.⁴⁶ The relaxation of the rules of origin means that, for products 'made by refugees' the maximum share of imported content allowed is, in most cases, increased to 70 percent of their total export value, compared with an average of only 40 percent under the Association Agreement.⁴⁷ This allows participating exporters to source more inputs in the world market, rather than in Jordan, which will often render the final product more competitive in the EU market.

The EU was initially reluctant to agree to this scheme because it departs from the pan-Euro-Mediterranean system of diagonal cumulation of rules of origin, enshrined in the Convention signed by 23 European and Mediterranean countries in 2013.⁴⁸ The exceptionality of the scheme, which has been justified on the basis of the humanitarian and political imperative arising

from the Syrian refugee crisis, explains its temporary nature and the restrictions in terms of products and locations (18 designated zones).

The EU has also agreed that if Jordan meets its own target, announced at the London conference, of formally employing 200,000 Syrian refugees across the economy (as measured by the number of work permits), it will consider extending these more flexible rules of origin to the entire Jordanian economy.⁴⁹ This is, however, a very ambitious target because only about 13,000 Syrian refugees in Jordan had formal work permits when the scheme was launched first agreed; by the end of February 2018, this number had increased to about 49,000. Even so, a further relaxation of rules of origin would not be automatic but require a new decision by the EU-Jordan Association Committee. Similarly, the EU and Jordan will need to take a new decision at the end of the 10-year period if they wish to extend the scheme.

The scheme is supported by two policy-based assistance programs from the EU, namely: a budgetary support grant of €55 million financed by the European Neighborhood Instrument ("Support to Private Sector Development in Jordan"), which includes conditionality on the employment of Syrian refugees in the 18 designated areas and on the issuance of work permits to Syrian refugees in the economy as a whole;⁵⁰ and a macro-financial assistance operation, in the form of a €200 million medium-term loan that is also conditional, *inter alia*, on progress with the implementation of the rules of origin scheme.⁵¹ The World Bank, for its part, is targeting progress with the issuance of work permits to Syrian refugees through a US\$300 million budgetary support operation (IBRD and IDA 2016).

The main aim of this rules of origin scheme is to encourage the labor market integration of Syrian refugees in Jordan and improve their living conditions. This should ease pressure for their secondary migration while facilitating their return to Syria once the political situation there allows it. The EU considered offering a similar scheme to Lebanon, in addition to financial assistance, in the discussions leading up to the London

⁴⁵ For a more in-depth analysis of the EU-Jordan trade scheme and of the potential use of trade preferences to support refugee integration that is set in the context of the new approach to refugee protection, see Temprano Arroyo (2018).

⁴⁶ The products included cover about 85 percent of Jordan's exports to the EU and 72 percent of Jordan's exports to the world. The HS code is an internationally standardized tariff nomenclature developed by the World Customs Organization to classify traded goods. It has a total of 97 chapters.

⁴⁷ In fact, the rules of origin are more complex than this simplified characterization. For some of the products covered by the scheme, the maximum share of content not originating in Jordan is lower, ranging from 15 percent to 50 percent. And in the case of textile and apparel products, the easing of the rules takes a different form: the new rules move from the 'double-transformation' requirement under the Association Agreement to the more generous 'single-transformation' requirement.

⁴⁸ See the Regional Convention on pan-Euro-Mediterranean preferential rules of origin, OJ L 54, 26.2.2013, <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2013:054:FULL&from=EN>. The 23 Contracting Parties to the Convention are the EU (28 countries), 3 countries of the European Free Trade Association (EFTA), Turkey and the 10 southern Mediterranean countries participating in the Barcelona Process, 6 Western Balkan countries, Moldova and the Faroe Islands.

⁴⁹ At the London conference, Jordan also declared its intention to issue 50,000 work permits to Syrian refugees within a year of the conference. The longer-term target of issuing 200,000 work permits for Syrian refugees represents about 50 percent of all registered Syrian refugees of working age currently in Jordan, or 14 percent of Jordan's total economically active population.

⁵⁰ See "Jordan receives 55 million euro grant from EU," *Jordan Times* (January 26, 2017), <http://www.jordantimes.com/news/local/jordan-receives-55-million-euro-grant-eu>.

⁵¹ See Decision (EU) No. 2016/2371 of the European Parliament and the Council of 14 December 2016 providing further macro-financial assistance to the Hashemite Kingdom of Jordan, OJ L 352, 23.12.2016, 18–25, <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2016:352:FULL&from=GA>. For the Memorandum of Understanding specifying the policy conditions attached to the disbursement of this loan, see https://ec.europa.eu/info/sites/info/files/mou_signed_mfa-ii_jordan.pdf.

conference. Yet it appears that the Lebanese authorities showed more reluctance over this approach, reflecting Lebanon’s particular political context. Indeed, in Lebanon’s political system, characterized by a delicate balance among religious confessions, the presence of a large number of Syrian refugees (estimated to account for about a quarter of Lebanon’s population), most of them Sunni Muslims, is seen as a potentially destabilizing development. Measures to support the formalization and integration of Syrian refugees in Lebanon remain, therefore, a politically sensitive issue in Lebanon.

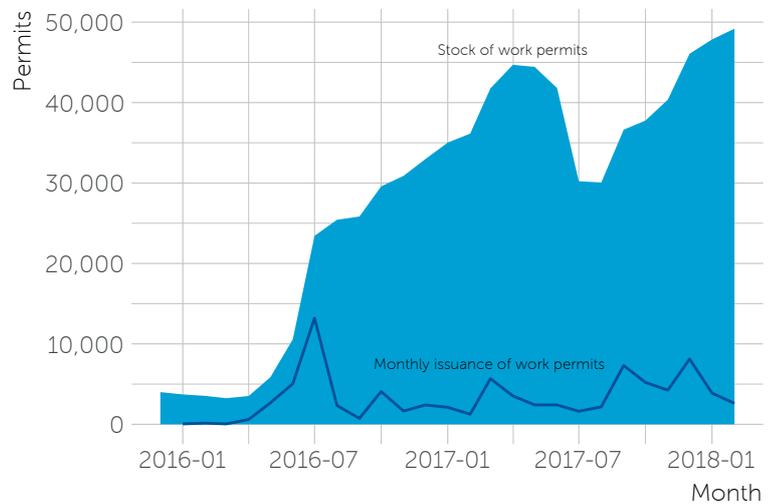
Assessment of the operation of the rules of origin scheme so far

While the rules of origin scheme has not been in effect for long, its early results have been disappointing: by the end of October 2017, only 10 factories had obtained the authorization to export under the scheme. The combined workforce of those 10 factories was 697 employees, of whom 233 were Syrian refugees. Moreover, of these 10 companies, only two successfully exported to the EU.⁵²

The scheme faces five major obstacles:

- There are few Jordanian companies with the experience and marketing networks necessary for exporting to the EU the particular products that benefit from the rules of origin scheme.
- Jordanian companies face strong competition in the EU market from other Asian emerging and developing countries (including China) that are capable of producing at very low costs and have ample experience in textile and apparel production. Some of them can access the EU market at preferential or zero tariffs under the Generalized System of Preferences (GSP). Thus, India, Indonesia, and Vietnam enjoy reduced rates under the standard GSP arrangement; Pakistan, Philippines, and Sri Lanka enter the EU free of duties for a large proportion of their exports under the GSP+; and Bangladesh and Cambodia, under the GSP/Everything But Arms (EBA), enter the EU free of duties and even benefit from the more favorable rules of origin applied to Jordan under the new scheme for companies employing Syrian refugees.⁵³
- Some Jordanian products do not meet EU technical standards for manufactured goods.
- There are few suitably qualified Syrian workers willing to work in the 18 designated areas. This, in turn, reflects several problems. Syrian refugees fear losing

Figure 3.13 Jordan—Stock of work permits issued to Syrian refugees



Source: Own elaboration based on data provided by the ILO and the Jordanian Ministry of Labor. Note: Monthly changes in the stock do not coincide with monthly gross issuance because work permits expire every 12 months.

their refugee status or the donor support that comes with it. Hence, they demand a relatively high wage to work formally. Also, they often lack the necessary skills to work in industry because their experience is in sectors such as agriculture, construction, and home services, which do not benefit from special rules of origin.

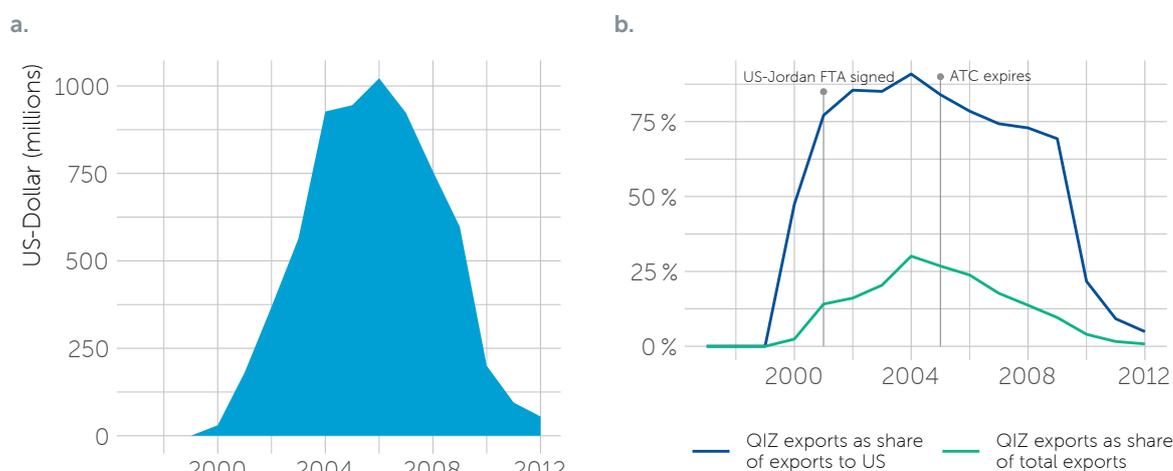
- Jordan continues to apply a quota system that restricts the share of foreign workers Jordanian companies are allowed to employ.

The EU and other donors are providing technical assistance to try to overcome these problems. The German development agency GIZ and USAID (United States Agency for International Development) have put in place multimillion-dollar programs to increase the competitiveness of Jordanian exporting firms, promote matchmaking with EU firms, and help them take advantage of the rules of origin agreement. The EU and the ILO have joined forces to support the establishment of employment services and vocational training programs that are general in scope but also assist the factories in the 18 designated zones. And the EU and World Bank were instrumental in the Jordanian decision, taken in April 2016, to waive, at least temporarily, the fee for work permits issued to Syrian refugees.

Overall, the number of work permits issued to Syrian refugees in Jordan has increased (figure 3.13). Nonetheless, the vast majority of the Syrian refugees who work

⁵² See the Ministry of Planning and International Cooperation of Jordan (2017).

⁵³ Indeed, the proliferation of FTAs and other preferential trade schemes granted by the EU tends to reduce the potential economic impact, as well as the political leverage, of any new preferential scheme granted by the EU.

Figure 3.14 Export performance of Jordanian QIZs, 1997–2012

Source: Own elaborations based on the U.S. International Trade Commission's DataWeb and the IMF's Direction of Trade Statistics.

in Jordan continue to do so informally.⁵⁴ And despite the positive trend, at the current pace of net issuance of work permits, it would take several years for Jordan to attain its target of giving formal employment to 200,000 Syrian refugees. Therefore, there is not much prospect that, in the near future, the EU will consider extending the special rules of origin to the entire Jordanian economy.

Comparison with the U.S. Qualifying Industrial Zones initiative

This disappointing performance so far of the EU's rules of origin scheme for Jordan contrasts with the rather successful experience of Jordan (and, to a lesser extent, Egypt) with the Qualifying Industrial Zones (QIZs) initiative launched in 1996 by the United States. Under the QIZ program, the United States grants duty- and quota-free access to Jordanian or Egyptian exports co-produced with Israel in export-processing zones (QIZs) that meet certain local content requirements.⁵⁵ This scheme was implemented through an amendment of the 1985 U.S.-Israel Free Trade Agreement (FTA). It was meant to support the Middle East peace process (two years after the Oslo Agreements and the Jordan-Israel peace accord) by promoting trade between Israel and its two neighbors with which it had concluded peace treaties.

QIZs are a specific type of free trade zone with operations in either Jordan and Israel or Egypt and Israel, where goods were initially produced solely for export to the United States. The QIZ program extends to products manufactured in the QIZs the 35 percent minimum local content requirement under the rules of ori-

gin applied in the U.S.-Israel FTA (Saif 2006; CRS 2013).

Over the first eight years after the QIZs were introduced in Jordan, QIZ exports to the United States boomed, accounting in 2004–05 for over 85 percent of Jordan's exports to the United States and over 25 percent of total Jordanian exports (see figure 3.14, panel b). As a result, the United States, which had accounted for a very small share of Jordan's exports until then, became the largest market for Jordan's exports. Investment flooded into the QIZs, particularly from Asian investors whose textile and apparel exports to the United States were then still subject to quotas and high tariffs under the Agreement on Textiles and Clothing (ATC) of the World Trade Organization (WTO).⁵⁶ Alongside Asian investment into the QIZs, there was an inflow of adequately trained and hard-working Asian workers, including from China, India, and Bangladesh. Thus, QIZ exports were initially successful because they facilitated production in Jordan at relatively low costs with well-trained labor while taking advantage of Israel's existing marketing links to the United States.

Compared with the relaxation of the rules of origin offered by the EU to Jordan in 2016, at the beginning the economic incentive was much stronger. Indeed, under the QIZ program, Jordan's textile and garment exports to the United States not only avoided the very restrictive quotas imposed by the MFA/ATC but were also sheltered from competition from other emerging and developing exporters by those same quotas. They were further sheltered by the more limited coverage of the U.S. GSP system, which leaves out some very competitive

⁵⁴ According to World Bank estimates, between 90,000 and 130,000 Syrian refugees are still working informally in Jordan. The situation is similar in the other main countries in the region hosting Syrian refugees (Turkey, Lebanon, and Egypt). For example, in Turkey, out of a Syrian refugee population of working age of over 1.5 million, about 300,000 were estimated to work informally in 2015, partly reflecting the legal restrictions imposed by the authorities. And by the end of 2016 (after Turkey removed such restrictions), the number of work permits issued to Syrians was still only about 13,000. See Okyay (2017).

⁵⁵ The scheme also applies to goods produced in the West Bank and Gaza.

⁵⁶ The ATC, signed in 1994, replaced the Multi-Fiber Arrangement (MFA), which governed world trade in textiles and garments from 1974 through 1994 and imposed bilaterally negotiated quotas on the amount of these products developing countries could export to developed countries. The ATC provided for a 10-year phasing-out of these quotas and expired on January 1, 2005.

low-income exporters of garments (such as Bangladesh and Vietnam), and by the relatively high most favored nation (MFN) tariffs imposed by the United States for these types of products. In addition, and in contrast with the EU's scheme for Jordan, the QIZ program does not entail the obligation of employing a minimum share of less well-trained (and, given their higher reservation wage, relatively more expensive) Syrian refugee labor.

Despite these supporting factors, the rapid expansion of QIZ exports observed in the first eight years of the initiative proved unsustainable. First, the expiration of the ATC in 2005 (and the associated elimination of textile and apparel quotas) reduced the preference margin that Jordanian apparel exports enjoyed in the United States. Second, in 2001, the United States and Jordan concluded an FTA that entered gradually into effect over the subsequent 10 years. As a result, Jordanian firms have no longer had to co-produce with Israel to access the U.S. market free of duties, removing part of the appeal of the QIZs. Reflecting both factors, exports entering the United States under the QIZ program have declined rapidly since 2006 (see figure 3.14, panels a and b).

Moreover, the QIZ program had a number of drawbacks in Jordan. The QIZs did little to reduce Jordan's high unemployment rate, since more than half of the 35,000 to 45,000 jobs created in the QIZs were taken by foreign, mostly Asian workers. This reflected their better training and experience with textile and apparel production as well as their willingness to work at low wages, to take on long hours, and to put up with tough working conditions, with most Asian workers living in the accommodation provided by companies within the QIZs themselves.⁵⁷ Jordanian workers were less keen to work under such conditions. Moreover, the QIZs did not create significant positive spillover effects for the rest of the economy—be it through links between exporters and domestic suppliers (most inputs were imported due to the low local content requirement), the transfer of new technologies or the upgrading of the skills of Jordanian workers. To a large extent, the QIZs represented a 'tariff-jumping' or 'quota-hopping' investment by Asian producers that sought preferential access to the U.S. market. After the reasons for quota-hopping disappeared along with the ATC, Jordan's textile and apparel exports entering the U.S. market under the QIZ program declined rapidly, as noted. However, they have largely been replaced by exports growing under the U.S.-Jordan FTA, which has taken advantage of the investments and infrastructure developed under the QIZ initiative. This has allowed the United States to maintain its dominant position among

Jordan's export markets despite the virtual disappearance of QIZ exports. To the extent that it provided a basis for the exploitation of the advantages subsequently offered by the FTA with the United States, the development of the QIZs can, therefore, be said to have had a more lasting effect.

Egypt's experience with the QIZ program, which it joined in 2004, has been more positive (Ghoneim and Awad 2010; Refaat 2006). Egypt already had a well-developed domestic textile and clothing industry and the QIZ program has helped to preserve its textile and apparel exports after the expiration of the ATC, which had sheltered Egypt's exports to the United States through a generous quota. Egyptian QIZ exports grew rapidly and, by 2011, accounted for approximately half of Egyptian non-oil exports to the United States (see figure 3.15). And, in contrast to Jordan, most workers in the Egyptian QIZs are Egyptian, partly because Egypt's labor law limits foreign workers to no more than 10 percent of a firm's labor force.

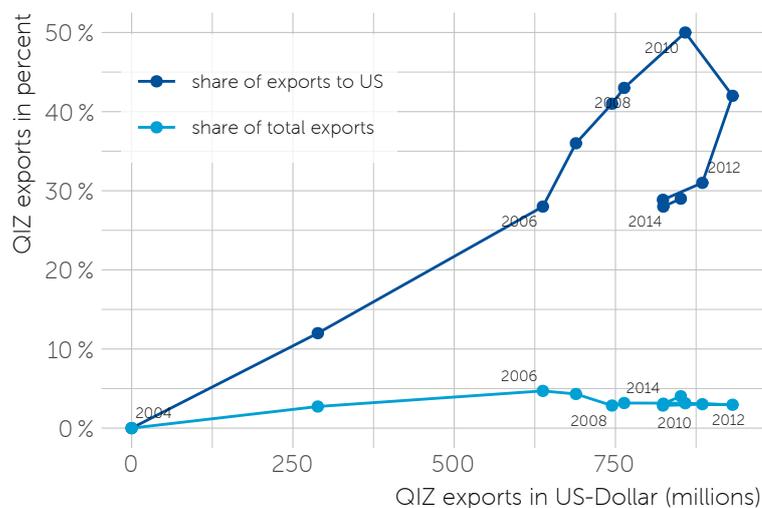
Overall, the QIZ program, despite its shortcomings, has contributed significantly to increasing the share of the beneficiary countries' exports to the U.S. market, generating jobs, investment, and GDP, a view that is also supported by some cross-country empirical studies.⁵⁸

Conclusions and policy options

The experience with the QIZs underlines the positive export and employment-generating effects trade preferences can have if properly designed and, therefore, their potential as a tool for refugee policy. At the same time, the problems witnessed with the Jordanian QIZs and the so far disappointing impact of the EU's rules of origin scheme for Jordan allow us to draw some lessons. To begin with, trade preferences will only create substantial jobs for refugees if the beneficiary companies are sufficiently competitive and have the necessary marketing networks and if the refugees have the appropriate training profile and incentives to work in them. This underlines the importance of complementing such trade measures with technical and financial assistance from the international donor community to help the beneficiary firms become competitive and reach the EU or other developed markets (including by meeting technical standards) and to provide adequate training to the refugees. It also suggests that the preferences should cover those tradable sectors where refugees already have professional experience or an appropriate training profile. For example, in the case of the Syrian refugees living in Jordan, consideration could be given to granting trade

⁵⁷ Labor issues came to the fore when a U.S.-based nongovernmental organization, the National Labor Committee, published in 2006 a very critical report on working conditions in the QIZ, arguing that ILO standards were not being met. The issues reportedly included mandatory, long working shifts, limited leave, the exemption of QIZ factories from minimum wage regulations, and the squalid living conditions of guest workers residing within the confined QIZ. See National Labor Committee (2006).

⁵⁸ See, for example, Carter et al. (2015), who found that the U.S. preferential trade arrangements had, overall and particularly in the case of the QIZ program for Jordan and Egypt, contributed to increasing the shares of exports of the beneficiary countries to the U.S. market. They found, however, that the strength of these effects varies over time, rising and remaining positive during a period of about 8–12 years but turning negative thereafter.

Figure 3.15 Export performance of Egyptian QIZs, 2004–2015

Source: Own elaboration based on the Ministry of Trade and Industry of Egypt, and the IMF's Direction of Trade Statistics.

preferences for fresh and processed agricultural products given that refugees are active in these sectors. By contrast, trade preferences are not a suitable policy instrument for the construction and home services sectors, two other sectors where Syrian refugees have expertise, because they produce non-tradables. The Jordanian experience with the QIZ program also warns about the importance of ensuring that efforts to stimulate refugee employment do not result in a deterioration of working conditions.⁵⁹

The possible use of trade preferences to alleviate the refugee crisis in countries of first asylum was mentioned in the Strategy for Global Trade Growth agreed by the G-20 in 2016,⁶⁰ as well as in the European Commission's Communication of June 2016 establishing a new Partnership Framework with third countries on migration.⁶¹ And it has been further highlighted by Turkey's recent proposal to WTO members to grant preferential treatment to certain exports of countries hosting a large number of refugees provided that they are manufactured by companies employing refugees. Indeed, in a letter sent on August 17, 2017 to seven key WTO members, the Turkish economy minister suggested that the WTO should agree to grant preferences while waiving the obligation under the WTO's MFN clause to extend the same preferential treatment to similar products exported by other WTO members. The proposal was submitted, although in vaguer terms, to the WTO Ministerial Conference at Buenos Aires (MC11) in December 2017. While it has so far received a

cautious reaction by WTO countries, it has helped bring to the fore again the possible use of trade policy measures to encourage the labor market integration of refugees.

If adopted, Turkey's proposal would probably not have much of an impact on Turkey's trade with the EU as its exports of all industrial goods and of many processed agricultural goods are already free of duties and quotas through its customs union with the EU (and no rules of origin apply to those products). It could, however, support Turkish exports of primary and some sensitive, non-processed agricultural products to the EU, which have not yet been fully liberalized, as well Turkish exports to other countries with which it has no preferential agreements.⁶² Something similar can be said of the potential application of the proposal by either the EU or the United States to many other significant refugee-hosting countries, since many of them already have preferential access to their markets, including in the context of bilateral free trade agreements and under the GSP. This is illustrated by table 3.2, which displays the preferential arrangements that the EU and the United States have with the 20 main refugee-hosting low- and middle-income countries, which account for 87 percent of the refugees living in the countries included in those income categories (and for almost 75 percent of the world's population of refugees) as estimated by the UNHCR. But, again, while this constrains the room for using additional trade preferences as a policy instrument, there is still margin for making some of those preferential schemes more generous in terms of the number of products covered, the tariff reductions granted under them, the rules of origin applied, and in some cases, the eligible countries. And there is also substantial room for increasing the conditionality of trade preferences to the efforts of the beneficiary countries to integrate refugees.

Another challenge for the Turkish proposal is that it would have to be adopted by consensus by all WTO members under Article IX of the Marrakech Agreement, which allows for waivers of certain obligations (including the MFN provisions) under exceptional circumstances, such as a humanitarian crisis. Moreover, the preferential schemes must be temporary, as required by the Marrakech Agreement. This could prove a significant limitation, as refugee crises have often turned out to be long-lasting.

A variant of the Turkish option would be to focus on a reform of the GSP that would incorporate into the system refugee policy considerations. The fact that most of the main refugee-hosting countries are beneficiaries of the GSP (see table 3.2) suggests, in a first

⁵⁹ In this respect, a welcome development is the fact that the EU's rules of origin scheme for Jordan was accompanied by a commitment by Jordan, and a monitoring effort to be ensured by the ILO, to maintain good labor conditions in the firms benefiting from the scheme.

⁶⁰ See "G-20 Strategy for Global Trade Growth," Annex II of the G-20 Trade Ministers Meeting Statement, Shanghai, July 9–10, 2016.

⁶¹ The Communication also suggests considering the grant of preferential treatment to partner countries cooperating with the EU on migration matters. More specifically, it suggests making migration cooperation a consideration in the forthcoming evaluation of trade preferences under the GSP+. See p. 9 of European Commission, Communication on Establishing a New Partnership Framework with Third Countries on Migration, COM(2016) 385 final, Strasbourg (June 7, 2016).

⁶² The fact that many Syrian refugees with experience in the garment industries come from the Aleppo area and have fled to Turkey suggests that the application of such a preferential scheme in Turkey could avoid some of the difficulties the EU-Jordan scheme encountered in finding refugees with the appropriate skills.

Table 3.2 Top 20 refugee-hosting countries and the preferential trade arrangements
(as of end 2016 for refugee data and as of April 2018 for the trade arrangements)

Country	Income level	Number of refugees ^a	Preferential trade arrangements ^b	
			EU	US
1. Turkey	Upper middle income	2.869.421	CU	GSP
2. Pakistan	Lower middle income	1.352.560	GSP +	GSP
3. Lebanon	Upper middle income	1.012.969	FTA	GSP
4. Iran (Islamic Rep. of)	Upper middle income	979.435	None	None
5. Uganda	Low income	940.835	GSP / EBA; EPA	GSP; AGOA
6. Ethiopia	Low income	791.631	GSP / EBA	GSP; AGOA
7. Jordan	Lower middle income	685.197	FTA; RoO scheme	GSP; QIZ; FTA
8. Congo (Dem. Rep.)	Low income	451.956	GSP / EBA	GSP
9. Kenya	Lower middle income	451.099	Standard GSP; ATP	GSP; AGOA
10. Sudan	Lower middle income	421.466	GSP / EBA	None
11. Chad	Low income	391.251	GSP / EBA	GSP; AGOA
12. Cameroon	Lower middle income	375.415	EPA	GSP; AGOA
13. China	Upper middle income	317.255	None	None
14. Tanzania (Un. Rep. of)	Low income	281.498	GSP / EBA	GSP; AGOA
15. Bangladesh	Lower middle income	276.207	GSP / EBA	None
16. Yemen	Lower middle income	269.783	GSP / EBA	GSP
17. South Sudan	Low income	262.560	GSP / EBA	GSP
18. Iraq	Upper middle income	261.888	None	GSP; AGOA
19. Egypt (Arab Rep.)	Lower middle income	213.530	FTA	GSP; QIZ
20. Russian Federation	Upper middle income	228.990	None	None

Memorandum items

Total above 12.834.946

In percent of refugee population of

low- and middle-income countries 87.1

the world 74.7

^a Includes refugees and people in refugee-like situations.

^b GSP = Generalised System of Preferences; EBA = Everything But Arms; CU = Customs Union; FTA = Free Trade Agreement; AGOA = African Growth and Opportunity Act; QIZ = Qualified Industrial Zones programme; ATP = Autonomous Trade Preferences; EPA = European Partnership Agreements. Kenya, Tanzania and Uganda have also signed EPAs with the EU but they are yet to be implemented.

Source: UNHCR, Global Trends 2016, June 2017; World Bank (classification of countries by income based on Atlas method, June 2017)

approximation, that this may indeed be an avenue to explore. This could be done in a coordinated manner by developed countries adhering to the GSP system, or by those among them wishing to do so. As noted above, the Commission's Communication on the Partnership Framework on Migration proposes that the next evaluation by the Commission of the GSP+ looks into this matter. Still, the room for improving the preferences granted under the GSP is limited. Indeed, as table 3.2 shows, many low-income and some lower middle-income countries hosting large populations of refugees already enjoy virtually full duty-free/quota-free access to the EU under the GSP/EBA or a high degree of duty-free access under the special U.S. GSP scheme for least developed countries.⁶³ They also benefit from more generous rules of origin. There is, of course, more room for improving the preferences for the middle-income countries falling under the standard GSP regimes. Indeed, an option would be to include in the GSP a number of manufactured products like textiles, clothing, leather goods, and ceramics, which are labor intensive and technologically not sophisticated and, therefore, relevant for refugee employment, but which have until now been excluded from the U.S. standard GSP regime or classified as 'sensitive products' under the EU's standard GSP and GSP+ arrangements. The same is true for certain agricultural goods considered sensitive by the EU or the United States. The expansion of the GSP to these products could be limited to countries hosting large refugee populations and made conditional on the actual employment of refugees in the manufactures in question. A drawback of this approach, however, is that it would risk eroding the value of the preferential advantages enjoyed by the less developed countries, making it harder for them to compete with the more developed GSP beneficiaries in the rich countries' markets.

Another option would be to stress the need for GSP beneficiary countries to ratify the UN's 1951 Refugee Convention and its 1967 Protocol and to remove any remaining reservations.⁶⁴ This could build on the provisions of the EU's GSP+, which require eligible countries to ratify 27 international conventions on human and labor rights, environmental protection, and good governance but which, unfortunately, do not include the UN's Refugee Convention and related Protocol among them.⁶⁵

Finally, an option the EU could consider that would not require a consensus at the WTO, is agreeing with its partners under the Convention of Pan-Euro-Mediterranean Rules of Origin of 2013 on a coordinated easing of the rules of origin for exports produced under certain conditions by countries (other than the EU and EFTA countries) that have signed the Convention and host a large number of refugees. This scheme, which would build on the EU's 2016 initiative for Jordan, could focus on labor-intensive sectors and exporting firms would have to demonstrate, under a certification process, that they are employing a minimum share of refugees. Since all these countries have a network of preferential trade agreements, this could be agreed bilaterally without requiring a WTO waiver of the MFN clause, as the EU has done for Jordan.

These alternatives are not mutually exclusive and some of them could be combined. However, in order to make them more powerful and effective, they should be part of a more general strategy aimed at promoting the labor market integration of refugees across the entire economy, including in those sectors (often non-tradable sectors) where their skills are more useful. This strategy should include, undoubtedly, financial and technical assistance incentives. But it should also encompass regulatory measures. In particular, it would require in some cases insistence by the EU and the international community on the removal of legal impediments to the formal employment of refugees, whether these entail quotas (sector-specific, as in Jordan, or of general application, as in Egypt) on the employment of foreign workers or a restricted acceptance of the obligations of the main international conventions on refugee and labor rights.

In sum, while trade preferences can be a useful instrument to promote refugee integration, they are no panacea. They can only be effective if intelligently designed, taking into account the conditions of beneficiary countries and the profile of their refugee communities, and if implemented as part of an appropriate overall strategy of labor market integration. And they should, preferably, be implemented as part of internationally or regionally coordinated initiatives.

⁶³ Yet, two low-income countries holding large populations of refugees, namely Bangladesh and Iraq, are currently excluded from, respectively, the U.S. and the EU GSP schemes. An inclusion, perhaps conditional on their refugee integration policies, could in principle be considered here.

⁶⁴ Some GSP beneficiaries hosting large populations of refugees, such as Bangladesh, Iraq, Lebanon, Pakistan, and South Sudan, have not yet acceded to the UN's Refugee Convention and Protocol, while others (e.g., Egypt) have done so but have made reservations exempting them from important articles of the Convention, such as Articles 12(1), 20, 22(1), 23, and 24, which guarantee that refugees will be treated equal to nationals regarding access to education, health, welfare programs, and some labor laws.

⁶⁵ See Annex VII of Regulation (EU) No. 978/2012 of the European Parliament and the Council of 25 October 2012 applying a scheme of generalised tariff preferences and repealing Council Regulation (EC) No. 732/2008, OJ L 303/1, 30.10.2012, <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32012R0978&from=EN>.

4. Conclusions

Lead author: Matthias Lücke

Throughout this Assessment Report, we have emphasized the need to take a systemic approach to the design of policies for refugee protection and immigration in Europe. Migration to Europe, under any legal framework, is the outcome of a decision by an individual or household, based on conditions in their country of origin, the circumstances and costs of transit, and their prospects of securing livelihood in the country of destination. Both regular and irregular migrants to Europe respond to incentives that are shaped at all stages of the potential migration process. To manage immigration, policy makers in Europe must design policy interventions that decisively shift incentives for potential migrants in the desired direction.

EU member states are generally free to determine the extent of legal immigration into their labor markets, in line with their economic needs and political preferences (the EU Blue Card for high-skilled immigrants is a partial exception to this rule). As a result, legal labor-market access for third-country citizens varies considerably across the EU member states, but it is usually quite restricted, especially for low-skilled migrant workers.

By contrast, EU member states are bound by international and EU law in the conduct of their asylum policies. The hosting of asylum seekers who manage to reach EU territory through irregular travel and the processing of their asylum applications effectively become a public good in the EU: While all member states presumably value the fact that refugees are protected (why else would they have signed the 1951 Refugee Convention and subsequent protocols?), each member state is usually happy for refugees to be protected elsewhere, rather than having to support them themselves. Although member states are bound by international and EU law in the same way, citizens' attitudes towards refugee protection and immigration and the way in which individual member states discharge their obligations differ sharply across member states.

As a general rule, the Dublin Regulation allocates responsibility for refugee protection to the EU member state of first arrival. But this governance structure is arguably dysfunctional. Some member states of first arrival are clearly over-burdened, while there is no working mechanism for sharing the responsibility either through cooperation among member states or through centralization of tasks and financing at the EU level. For a while, some member states of first arrival abdicated their responsibility and effectively allowed asylum seekers to directly move on to other member states. That stance threatened the Schengen system of free movement as other member states reestablished identity checks at internal Schengen borders to prevent asylum seekers from travelling within the EU irregularly.

Given this muddled governance structure, curbing irregular immigration in a sustainable and humane

manner—an objective that is widely shared by policy makers and voters in Europe—requires several inter-locking policy interventions at different points of the migration system. We discussed these interventions in detail in chapters 1, 2, and 3 and summarize them in table 4.1 below. In EU member states, asylum procedures need to be accelerated; effective return policies must be put in place for those who are not allowed to stay in the EU; and member states should cooperate to offer meaningful opportunities for legal immigration and employment. In countries of transit, the EU and its member states should work with the authorities to improve border security and curb irregular migration. Assistance should be offered to migrants who wish to return to their countries of origin as well as to refugees with a valid claim to protection. Providing development assistance that improves public services in countries of origin may enhance livelihoods and reduce incentives to emigrate. The EU and its member states may support the provision of vocational training in the context of skills partnerships that equip participants for employment in local labor markets and also lead to legal migration opportunities to the EU. Furthermore, the EU and its member states should fully participate in the global sharing of responsibility for refugees. This would include offering places for resettlement and financially supporting low- and middle-income countries in hosting refugees and helping them to fully integrate into local economies.

Each of these interventions promises to result in some positive impact, even if implemented in isolation. But it is only by implementing them in combination that policy makers can decisively shift the incentives faced by potential migrants and materially improve the unsustainable situation found along the irregular migration routes to Europe. For example, accelerating asylum procedures will have little effect unless effective return policies ensure that irregular immigrants do not simply remain in the EU after their asylum application has been rejected. In turn, an effective return policy depends on country-of-origin authorities being willing to readmit their citizens, although this will be unpopular with many of their voters. Hence, they must be able to point to new, substantive benefits for which readmission is a price worth paying: for example, development assistance with tangible benefits for citizens in the country of origin or legal migration opportunities to the EU. At the same time, unless potential migrants can pursue meaningful economic opportunities either at home (for example, facilitated by better vocational training) or abroad through legal migration, the incentives for irregular migration will remain strong. As a result, measures to combat people smuggling along the irregular migration routes may not be effective unless they are complemented by positive alternatives for potential migrants.

A comprehensive approach along these lines is not only necessary to determine the policy mix to be implemented, but also with regard to the full participation of EU institutions and member states. Policy instruments such as agreements with African countries of origin on development assistance, readmission, and legal migration opportunities are more effectively negotiated by the European Commission than by 28 individual member state governments. While the precise division of labor between the EU and member states will need to be negotiated, the public-good nature of refugee protection and numerous synergies between policy areas call for a large EU role in rule-making, funding, and international relations. At the same time, even if asylum policies are centralized to a much greater extent than now, most migration-related policies will always depend on member states for active support, on-the-ground implementation, and (likely) supplementary funding. Some important policies are also outright member state competencies, such as resettlement quotas for refugees and labor migration from third countries.

EU member states differ widely in terms of their geography, real income, administrative capacity, history, experience with immigration, generosity as a donor of humanitarian and development assistance, and political preferences. Therefore, not all member states are affected by every migration-related challenge in the same way; nor are their preferred responses always the same. Furthermore, the various migration-related policies place different demands on the logistical, administrative, and financial capacity of

member states. As a result, cooperation among member states and EU institutions in migration-related policies will be more effective if it is organized according to the principle of ‘flexible solidarity’. On the one hand, all member states need to contribute actively so that the EU can put together a comprehensive response to the numerous migration-related challenges (‘solidarity’). On the other hand, not all member states need to contribute to all policies to the same degree; rather, they may concentrate on areas where they have a comparative advantage based on their financial means, administrative capacity, history, etc. (‘flexibility’). Monitoring and peer review may help to ensure that, at the end of the day, member state contributions as a whole provide an adequate response to the migration-related challenges and that the resulting logistical, administrative, and financial burdens are fairly shared among member states.

We summarize our analysis by presenting two possible scenarios (table 4.1): First, in the default scenario (“business as usual”), no major new policies are implemented and the existing challenges remain unaddressed; in particular, conditions along the Central Mediterranean migrant route and on the Greek islands remain unsustainable. Second, in the “reform” scenario, our main proposals are implemented, with the result that the unsustainable situations are substantially addressed and popular support for well-managed immigration is sustained through respectful communication in social and traditional media and through integration policies that respect cultural diversity.

Table 4.1 Scenarios for refugee protection and immigration in Europe: "Business as usual" vs. "reform"

Policy area	Business as usual: Outcomes	Reform	
		Policy interventions	Possible outcomes
International responsibility sharing for refugee protection	EU support for low-and-middle-income host countries remains fragmentary	Consistent and generous financial and logistical EU support (including through the EU budget) for low- and middle-income countries that host refugees	More refugees hosted regionally with dignity Fewer secondary movements
	Continued risk of volatile secondary refugee movements along dangerous migration routes	More orderly resettlement of refugees to EU	Fairer responsibility sharing beyond financial support; EU and member states gain credibility
Migration management along Central Mediterranean migrant route/ EU relations with African countries of origin and transit	EU and/or affected member states continue to rely on dubious and changing actors (e.g., in Libya) to combat people smuggling and curb irregular immigration Diminished external standing for EU as an advocate for human rights and rule of law	Agreements with African countries (and beyond) of origin and transit for development cooperation, migration management, readmission, and legal migration opportunities to EU member states	Cooperation based on genuine political will and wide-ranging shared interests, which makes agreements self-enforcing and effective
	Substantial and volatile irregular migrant flows continue along Central Mediterranean route, with migrants taking considerable risks with their lives	Based on agreements with African countries of origin and transit (see above), better border security and migration management in countries of origin and transit	Irregular migrant flows are curbed in countries of origin and transit
	Few work permits to access EU member states' labor markets Incentives remain strong for irregular migration and baseless asylum applications	Based on agreements with African countries of origin and transit (see above), skill partnerships and legal employment opportunities in EU member states shift incentives towards human capital formation and regular migration	Benefits from regular migration for migrants, countries of origin, and countries of destination Beneficiaries become a constituency for the full implementation of agreements, including migration management and external border security)
EU-Turkey relations/ Eastern Mediterranean migrant route	Few irregular immigrants return from the Greek islands to Turkey Irregular immigrants are stuck on Greek islands in very poor conditions (this may help to deter more irregular migration)	Strengthen agreement with Turkey so that treatment of returning asylum seekers stands up to legal scrutiny in EU, as a precondition for returning more irregular immigrants from Greek islands to Turkey Provide assurances that EU will continue to support refugees hosted by Turkey, for as long as refugees require support Resettle more vulnerable refugees from Turkey to EU	A legally sound agreement and continuous cooperation with Turkey will keep the Eastern Mediterranean route closed to irregular migrants and ensure that refugees can live with dignity in Turkey as their country of asylum

<p>EU asylum system</p>	<p>Many irregular immigrants who reach Italy or the Greek mainland manage to stay in the EU, whether or not they receive protection or another regular status</p>	<p>Fast and fair asylum procedures in Italy and Greece and effective enforcement of returns, including to safe third countries (enabled by agreements with countries of origin, transit, and first asylum—see above)</p>	<p>Irregular migration to EU becomes less attractive unless individual migrants have a good chance of gaining protection in the EU</p> <p>Recognized refugees can work on their integration soon after arriving in the country of asylum</p>
<p>Spirit of public debate about effects of immigration and effects of asylum and immigration policies</p>	<p>Public discourse on immigrants' social integration often emphasizes cultural dissimilarities and exclusion—see the largely symbolic debates on assimilation vs. multiculturalism, Leitkultur (German for 'defining culture'), etc.</p> <p>Xenophobic parties gain popular support while established parties also adopt more restrictive positions on immigration</p> <p>For immigrants, investment in integration (local language, destination-country-specific professional certification) becomes less attractive as they are bound to feel less welcome</p>	<p>Responsible political actors should make an active effort to discuss refugee protection and immigration and related policies based on evidence; avoid stereotyping, e.g., do not blame immigrants as a group for crimes committed by individuals; avoid discourses that exclude individuals based on their migration background</p> <p>To ensure that discussions on social media remain free from discriminatory and hate speech, moderate online discussions (this is already standard practice on many news sites); regulate online media so that illegal hate speech does not remain online</p>	<p>A shared understanding that terrorism and other crimes represent attacks on all residents and their common values</p> <p>Rational, fact-based public debate on refugee protection and immigration policies</p> <p>In the long run, an open-minded society that acknowledges and values cultural diversity</p> <p>Less bias in news reporting</p> <p>Strong incentives for all residents to invest in their economic and social integration</p>
<p>Avoid competition for resources between refugees and residents</p>	<p>In some locations, the recent inflow of refugees strains public services, schools, housing, etc., causing some residents to perceive their livelihoods as threatened</p>	<p>Allocate adequate financial and other resources for public services and individual subsistence at all levels of governments</p> <p>Ensure equitable burden-sharing at national and EU levels</p>	<p>Social cohesion is strengthened as both immigrants and residents become more confident that their basic needs will be met</p>
<p>Gaps between residents and immigrants in economic performance and education; discrimination against immigrants</p>	<p>Gaps remain large; actual and perceived discrimination remains prevalent; incentives to invest in integration remain lower than they might be</p>	<p>As cultural values are relatively unmalleable, accept diversity (rather than strive for 'assimilation') and address structural constraints on integration (e.g., in access to work, education, housing, civil institutions)</p> <p>Focus on immigrant groups with the largest performance gaps, such as refugees and non-EU family migrants</p>	<p>Respect shown for immigrants' cultural identities and social rights improves their sense of belonging and willingness to integrate in the country of destination</p> <p>Targeted interventions reduce gaps in economic and social outcomes of immigrants relative to the native-born</p>
<p>Urban planning/spatial distribution of immigrants/'ghettos'</p>	<p>Spatial concentration of some immigrant groups raises concern about lack of social integration and cohesion</p>	<p>Spatial concentration is an issue mostly when other factors, such as linguistic distance, simultaneously hinder economic and social integration. Therefore, address these barriers by promoting language and vocational training, skill assessment for recently arrived immigrants, access to the labor market, etc.</p>	<p>Immigrants benefit from the information, amenities, and opportunities conveyed through their networks (if they choose), while they are encouraged to reach beyond their networks for more economic opportunities and participation in wider society</p>

Source: Own compilation.

Abbreviations

ATC	Agreement on Textiles and Clothing	IDP	Internally displaced persons
CRRF	Comprehensive Refugee Response Framework	IGAD	Intergovernmental Authority on Development
DRC	Danish Refugee Council	ILO	International Labour Organization
DTM	Displacement Tracking Matrix	IOM	International Organization for Migration
EAC	East African Community	MFA	Multi-Fiber Arrangement
EASO	European Asylum Support Office	MFN	Most favored nation
EBA	Everything But Arms	MPI	Multiculturalism Policy Index
EBCG	European Border and Coast Guard	ODA	Official development assistance
ECOWAS	Economic Community of West African States	QIZ	Qualifying Industrial Zones
ECtHR	European Court of Human Rights	RECs	Regional economic communities
EFTA	European Free Trade Association	SADC	South African Development Community
EPA	Economic Partnership Agreement	SAR	Search and rescue
EU GSP	EU Generalised Scheme of Preferences	STA	Settlement Transformative Agenda
FTA	Free trade agreement	TFEU	Treaty on the Functioning of the European Union
GDP	Gross domestic product	TOBB	Union of Chambers and Commodity Exchanges of Turkey
GNP	Gross national product	UNHCR	United Nations High Commissioner for Refugees
GSP	Generalized System of Preferences	WTO	World Trade Organization
ICT	Information, communications and technology		

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About MEDAM

The Mercator Dialogue on Migration and Asylum (MEDAM) is a three-year research and consultation project funded by Stiftung Mercator. It aims to identify and close the gaps in existing research and to develop specific recommendations for policy makers from an independent European perspective.

Research partners are the Kiel Institute for the World Economy (IfW), the Migration Policy Centre (MPC) at the European University Institute (EUI) in Florence and the Centre for European Policy Studies (CEPS), a think tank in Brussels.

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ISSN (Print): 2567-6083

FUNDED BY

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