

# Europe's Challenge: Integrating Low-skilled Migrants

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UCL-Davis, Room 2102 SSH (Ag Econ Conference Room)

## 1.1.1 Abstract:

During the 1960s, many Northern European countries recruited workers, typically low-skilled migrants from Southern European countries whose employers provided them with housing. Many returned home after a period of work but some settled, raising lingering employment and integration issues.

Europe received over a million migrants seeking asylum in 2015 and 2016. The skills of these newcomers from Syria, Afghanistan, and many other countries vary, but many are low-skilled. How will European countries that have eliminated many easy-entry jobs for low-skilled workers via high minimum wages and well-regulated labour markets absorb these newcomers? Is the best strategy to invest in the newcomers to provide them with language and job training so that they can fill vacant middle-skill jobs, or would it be better to relax labour market regulation and permit subminimum wages?

## 1.2 Introduction

During the 1950s and 1960s, many Northern European Countries recruited temporary migrants from Southern Europe. Germany established recruitment centres for 'guest workers' in many Southern European and North African countries as well as the near and far East, namely Turkey and South Korea. Worker-paid migration costs were low as employers tended to bear the travel costs and provided housing.

The rebuilding of Europe, its industries and vital infrastructure, required workers of all skills, professions and qualification levels. Those who came to work in Germany, France and other Northern European countries were largely un- and semi-skilled. They tended to receive annual employment contracts that could be renewed as long as economic growth was high and unemployment was low.

In 1973, the economic growth cycle came to an end and the native baby-boom generation started to enter the labour market, reducing labour scarcities. Consequently many guest-workers lost their jobs and many returned to their home countries, but many remained. They founded families and became part of the host societies, thereby promoting understanding between the citizens of various (Western) European countries

formerly at war with each other. This was a positive side effect of the economic growth strategy of the 'North' – which had also alleviated population pressures in the 'South', thereby facilitating their economic recovery. A negative side effect was the gap in the educational achievements of children and youth in the migrant receiving countries, as children of migrants tend to have a lower educational attainment level than natives in most immigration countries, also when corrected for social status and educational attainment levels of their parents. (OECD 2015, 2006).

A major driving force and promoter of the reconstruction of Europe was the Marshall Plan aid (officially the European Recovery Program, ERP) which was in operation for four years beginning April 8, 1948. The aid was not only in grants and loans but also pressures for undertake structural and institutional changes, thereby promoting productivity growth. The major contributions were in the form of 'technical' support, spanning from the requirement to document the use of the funds (meaning the establishment of a common system of national accounts), to the reduction of trade barriers, the promotion of labour union membership, as well as the amendment and streamlining of various national regulations that hampered cross border communication and employment. The requirements to obtain funds helped to modernise industry and promote modern business procedures, boosting innovation. The institutional reforms can also be seen as the beginning of common transnational actions in Europe. According to Hogan (1987), the aim of the Marshall Plan was to integrate Europe and to promote the development of a single-market and a mixed capitalist economy, and in so doing prevent the spread of communism.

Today the European Union celebrates the 60th anniversary of the Treaties of Rome that established a common market where people, goods, services and capital can move freely. The main aim of the EU was to ensure peace; in recognition of this endeavour the EU received the Nobel Prize for Peace in 2012; and indeed, the EU can look back to 60 years of peace, the longest period in history in which the countries which make up the EU today have not experienced any war or military conflict within their borders. In addition, the EU has become one of the three major modern industrial economies in the world (23.8% of world GDP), together with the United States (22.2% of world GDP) and Japan (5.9% of world GDP). Migration has continued to play a significant role, on the one hand as an integral part of the Single market – as free mobility of labour is one of the four freedoms of the Common Market, on the other as recipient of third country migrants, i.e. migrants from outside the European Economic Area (EEA), largely family migration, to a lesser extent labour and refugee migration – except for the last couple of years.

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<sup>1</sup> These types of requirements are quite similar to the ones the World Bank and IMF tend to impose on loan-receiving countries today.

Free mobility of labour is becoming more contentious in many European Union Member States (EU-MS), triggered by the Brexit vote 23 June 2016. The negative effect of immigration on the housing market, in particular of EU-migrants who have access to social housing,<sup>2</sup> may have contributed to the public resentment of immigration in the UK, which eventually resulted in the exit vote of Great Britain from membership in the European Union. Martin Ruhs (2016, 2013) draws attention to the fact that common EU-policies on mobility may interfere with the differing national social policy objectives. He sees a need for a national differentiation of migration policies or convergence of social policies within the EU.

In addition, the large refugee inflows of 2015/16 are becoming a matter of public concern, not least in view of the highly developed and inclusive welfare systems. EU-MS have been engaged in highly divisive political debates about how to respond more effectively to the 'refugee crisis' which has led to the arrival of more than one million asylum seekers in the EU in both 2015 and 2016 (Eurostat 2016).

There are at least two good reasons for accepting refugees in Europe. The first is the need to promote and uphold human rights by granting refuge to people fleeing from war and persecution, e.g. by saving their lives in the Operation Mare Nostrum and the Frontex Operation Triton<sup>3</sup>. These operations give meaning to the slogan and self-definition of 'Europe as a community of values' (FRA 2013). The second is the ageing of the European population. As refugees are largely young they can slow the ageing process of EU societies. But their limited educational qualifications and skills represent a challenge to be addressed if Europe wants to keep the promise of the Lisbon agenda of March 2010: to make the EU "the most competitive and dynamic knowledge-driven economy by 2010". (EC 2010) Today it is clear that the Lisbon strategy did not achieve its goals. Some progress was made, but there is growing concern that the reform process is not going fast enough and that the ambitious targets will not be reached, not least because of the slow progress in skill-upgrading of the population and workforce, many of them migrants.

### **1.3 Migration in the EU today and skills acquisition**

Currently (2016) some 510 million people live in the EU-28, of whom 10.7% foreign born (54.4 million). Many acquired the citizenship of the country they lived and worked, so that the share of foreign citizens in the EU-28 was 'only' 7.7% (39.5 million inhabitants).

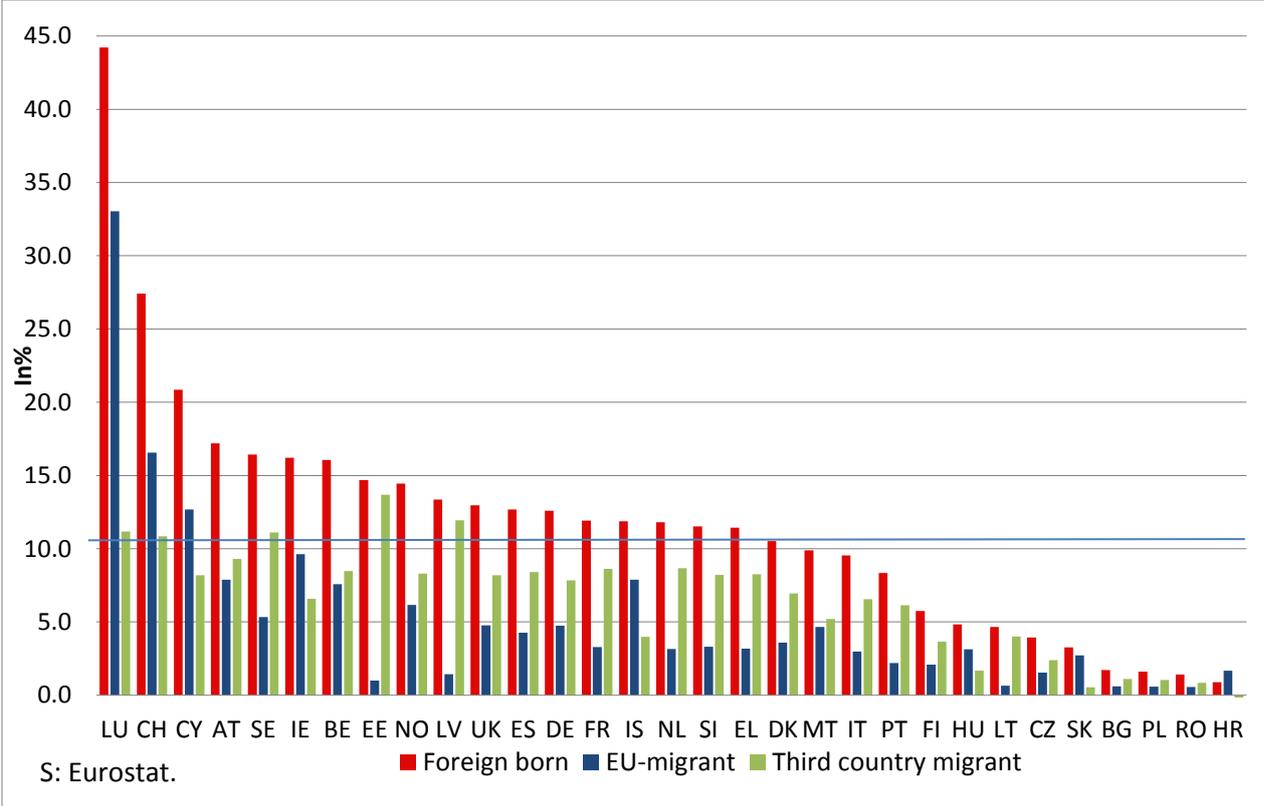
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<sup>2</sup> A prominent politician who argued in that vein was Theresa May MP in her speech on 'An immigration system that works in the national interest' on 12 December 2012. <https://www.gov.uk/government/speeches/home-secretary-speech-on-an-immigration-system-that-works-in-the-national-interest>. Accessed January 8 2017.

<sup>3</sup> This was a year-long naval and air operation commenced by the Italian government on October 18, 2013 to save people from migratory ship wreckages off Lampedusa. During the operation at least 150,000 migrants, mainly from Africa and the Middle East, arrived safely in Europe. The operation ended on 31 October 2014 and was superseded by the Frontex operation Triton.

Of the 54.4 million foreign born, 14.5 million were born in another EU-28 country, i.e. about one third of the foreign born are EU nationals. Accordingly, the share of persons taking advantage of free mobility and the right to settle in another EU-MS amounts to 2.8% of the EU-28 population on average. This does not seem to be much on average but mobility between EU-MS is significant, largely from the economically weaker countries in the East and South to the more prosperous countries in the West and North. (Bailly et al 2010) (**Error! Reference source not found.**)

Graph 1: Migrants (foreign born) in % of total population in the EEA (2015)



Jauer et al (2014) find that migration has reacted significantly to the EU enlargements in 2004 and 2007 and to changes in labour market conditions. They show that the migration response to the economic crisis 2009/10 has been considerable in Europe, quite in contrast to the United States where inter-regional labour mobility decreased. These findings are very important as labour mobility is the only equilibrating mechanism for labour market disparities in the Euro-zone, as there is no exchange-rate to play that role.

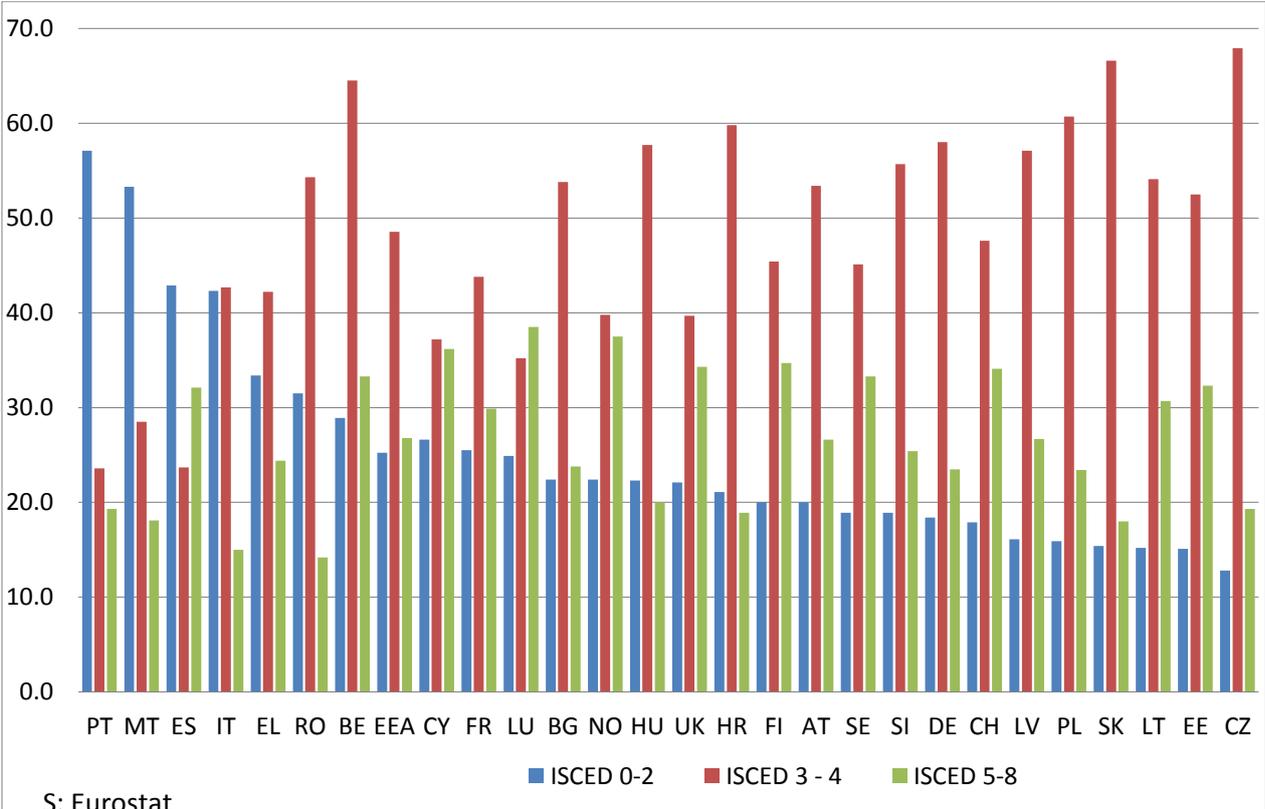
Countries like Romania and Bulgaria lost some 10% of their populations to other EU-MS, Poland 6.6%. The largest net receiving countries of EU migrants are Germany, UK, Spain, France and Italy. While about as many citizens of the UK live in another EU-MS (largely in Spain, Italy and France) as there are EU citizens living in the UK, Germany, Spain and

France are net-receivers of EU migrants. In contrast, Romania, Poland and Portugal are net sending countries.

The enlargement of the EU in 2004 and 2007 triggered large flows of migrants from East to West, especially to Germany and the UK, but also to Italy and Spain; the economic crisis 2009/10 reduced these flows temporarily and the asymmetric recovery of the various EU-MS resulted in an increased outflow from Southern European countries, in particular Greece, Portugal and Cyprus, towards the 'North', in particular to Germany and Austria. (Fries-Tersch et al. 2016)

Graph 2 shows that persons with medium to upper skills (ISCED level 3 and 4) make up the majority of the population (15-64) in most EU-MS. Exceptions are Southern EU-MS with the majority of the population being low-skilled (ISCED levels 0-2). These countries continue to have large agricultural sectors and employ significant numbers of (migrant) unskilled labour. (See also Graph 3)

*Graph 2: Educational attainment level of the population (15-64) by skill level in the EEA: 2014*

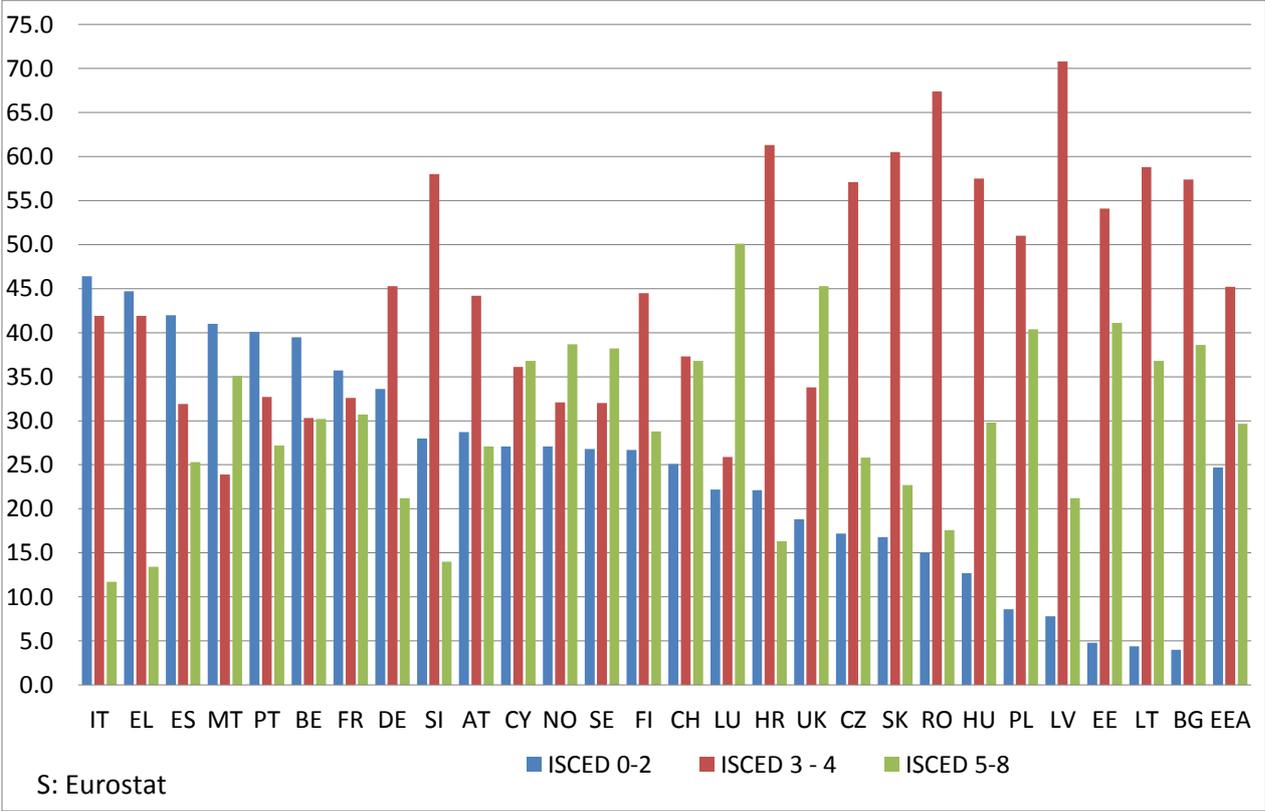


Luxembourg is an exception at the upper end of the skill segment, as university graduates (ISCED levels 5-8) make up the largest proportion of the population of working age (38.5%). It can be taken from **Error! Reference source not found.** that the high proportion of university graduates is almost entirely due to immigrants, largely citizens of other EU-MS, who tend to work in some of the EU organisations placed there, e.g.

Eurostat, a Directorate-General of the European Commission; in addition Luxembourg is the seat of many think tanks, banks, law firms and headquarters of multinational companies (Arendt & Medernach 2011). Of the foreign born in Luxembourg 50.1% are highly skilled.

Graph 2 shows that Central and Eastern European countries (CEECs) have a fairly low proportion of low skilled inhabitants, a consequence of the former communist regimes in which good education and training for all had a high priority. Accordingly, given the highly skilled workforce in the new EU-MS in the East, Germany and Austria imposed transition regulations for labour mobility and instead invested heavily in the production of goods and services in the new EU-MS, often in combination with a re-allocation of production sites, thereby promoting the catching-up process of CEECs. (Baas & Brücker 2012) In consequence, economic integration between Germany and Austria and the CEECs rose significantly via increased inter- and intra-industry trade, linked with structural upgrading of industries. (Fidrmuc et al., 1998, 1999) These regional industrial specialisation processes, which are at the heart of the new economic geography theory, allowed the realisation of industry-specific economies of scale, resulting in increased economic growth which contributed to income convergence between the countries concerned, as Ben-David (1994) had suggested.

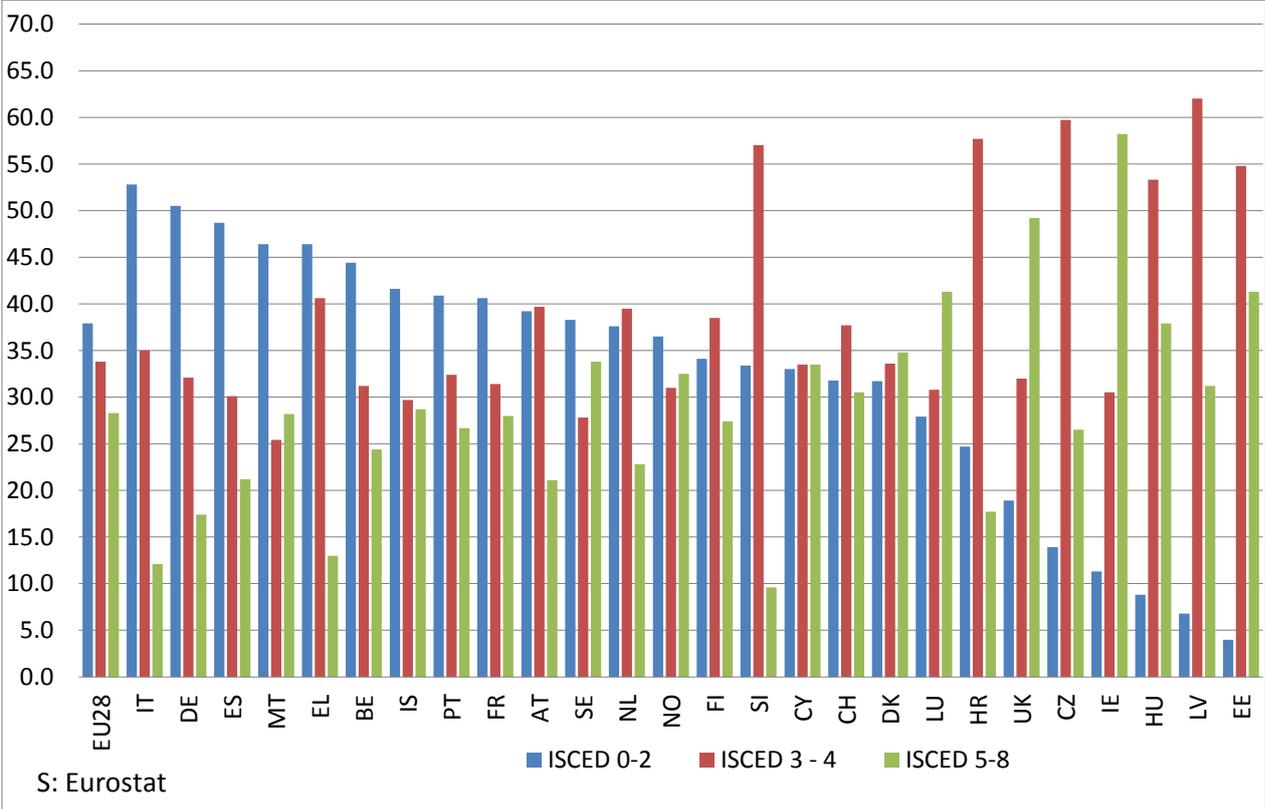
Graph 3: Skill composition of the foreign born (15-64) in the major receiving countries of the EEA 2014



In contrast, the United Kingdom, Ireland and the Nordic countries opted for free mobility of labour in the wake of EU enlargement without imposing transition regulations, attracting medium to highly skilled workers from the new EU-MS. Accordingly, the UK, Sweden and Norway received some of the best qualified migrants in Europe. University graduates represent the largest numbers of first generation migrants, with a share of 37% to 45% of all migrants. These migrants are, however, not always working in jobs commensurate with their educational or skill level, particularly in the UK. (Anderson et al. 2006; Nowicka 2012)

Most of the foreign born in the EU-MS tends are medium skilled, a consequence of the selective migration policy of the last 20 years according to which only workers with skills on an occupational shortage list could enter. These restrictions pertained to citizens of other EU-MS (transition regulations for EU-8 until 2011, for EU-2 until 2013, for Croatia in the main until 2015) as well as third country citizens. Family migration tends to water down the immigration skill strategy as family members tend to have lower educational attainment levels than their working partners in the host country. There are, however, also EU-MS with above average shares of unskilled migrants, in particular Southern European countries as well as France and Belgium. The latter receive to a large extent migrants from regions with former colonial ties, in the main via the family migration stream.

*Graph 4: Skill composition of third country migrants (foreign born outside the EU-28, 15-64 years old) in the major receiving countries of the EEA: 2015*



It is particularly interesting to see that the skill composition of third-country migrants, i.e. persons born outside the EU-28, has improved significantly in the last 20 years. Graph 4 shows that third country citizens have almost equal shares of all three skill levels in the EU-28 on average. It is again the Southern European countries and some of the major recipient countries of persons from the former colonies that have the highest shares of un- and semi-skilled migrants. But also the countries with a high proportion of former guest-workers, in particular Germany and Austria, attract large proportions of less skilled migrants, largely via family migration. But also here the former hourglass shape of the skill composition has changed and the medium skill segment has filled in.

The significant improvement of the skill level of migrants is not only a result of selective migration policy but also of skill upgrading, which is part of the EU-strategy formulated in the Lisbon agenda of 2000-2010 and extended by the Europe 2020 strategy. The aim of these strategies is to overcome the slow productivity and economic growth performance of the EU while preserving inclusive welfare systems, social cohesion and a healthy natural environment. Sustainable economic and employment growth is to be ensured by promoting innovation, a major pillar of a "learning economy". The theoretical concepts underlying the Lisbon strategy remain valid today, even though the targets could not be reached, largely as a result of the non-binding character of the Lisbon Strategy. This was taken into account in the establishment of the Europe 2020 strategy, which followed the Lisbon strategy, leading to the development of indicators to measure the national achievements in the various target policy fields.

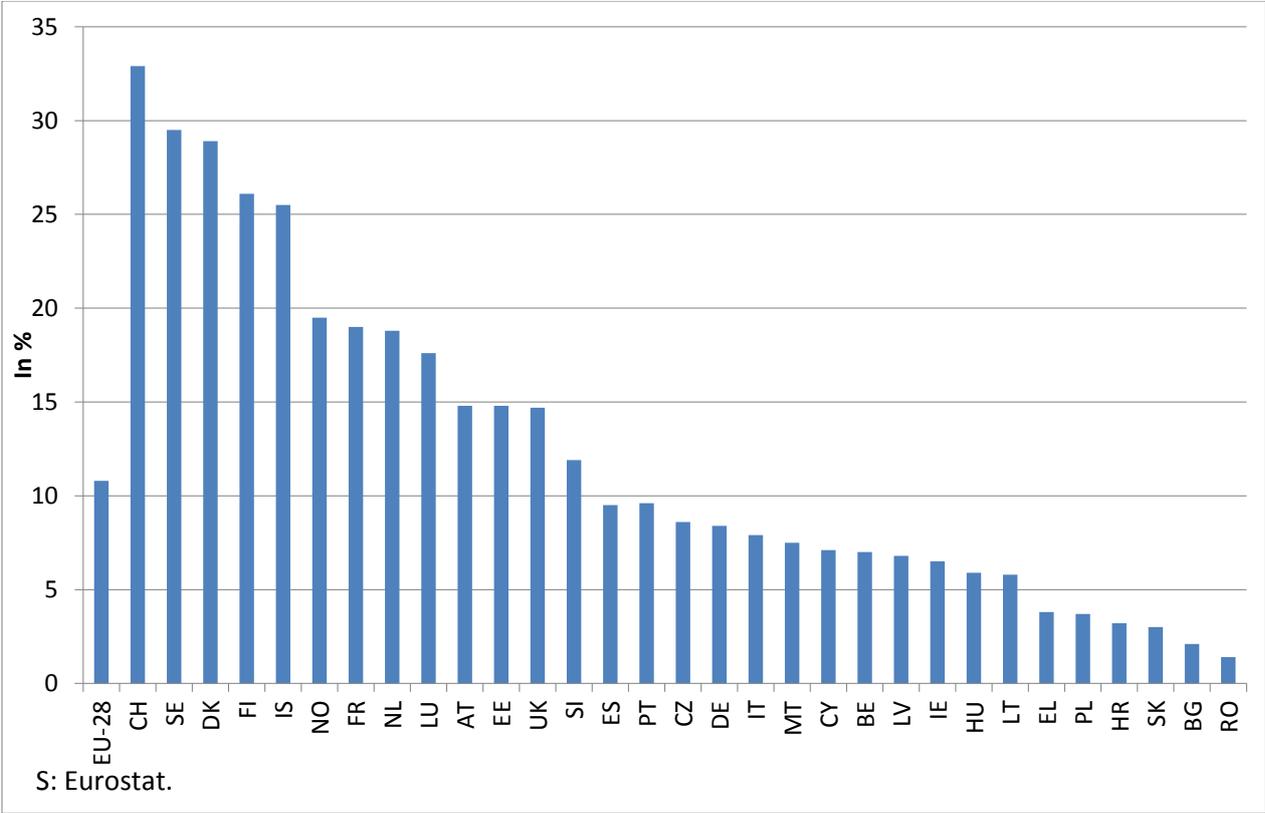
As all EU-MS have agreed on the Europe 2020 socio-economic development strategy (research and innovation, investing in people/modernising labour markets, unlocking business potential, and energy/climate change) these issues are now at the top of the political agenda for reform in every EU-MS, and they are monitored. Five headline target areas have been agreed upon by the EU-MS as Europe 2020 goals. One is employment (raising the employment rate of the 20 to 64 year old men and women to 75% in the EU-28); another is innovation (raising investment in R&D to 3% of GDP in the EU-28); the third area focusses on climate change and energy; the fourth on education (reducing the rates of early school leaving to below 10% in the whole of the EU-28, and ensuring that in the EU-28 on average at least 40% of 30 to 34 year olds have completed tertiary or equivalent education); the fifth area focusses on the reduction of poverty and social exclusion.

These EU-level targets have been translated into national targets in each EU country, taking different situations and circumstances into account. The Member States have to report on the measures taken to that end and can - on the basis of the annual audit by

the Commission - receive recommendations from the European Council. The achievements of the various EU-MS can be followed up in an annual employment report (EC 2015). In order to promote the implementation of national policies and measures to reach the national targets, the EU co-funds measures and projects through a system of "shared management"; measures to improve employment and education opportunities are largely co-funded by the European Social Fund (ESF).

As a consequence of this EU-wide strategy and the increasing awareness of the need for further education and training the majority of EU-MS has implemented a set of institutions and measures to ensure lifelong learning for natives as well as migrants.

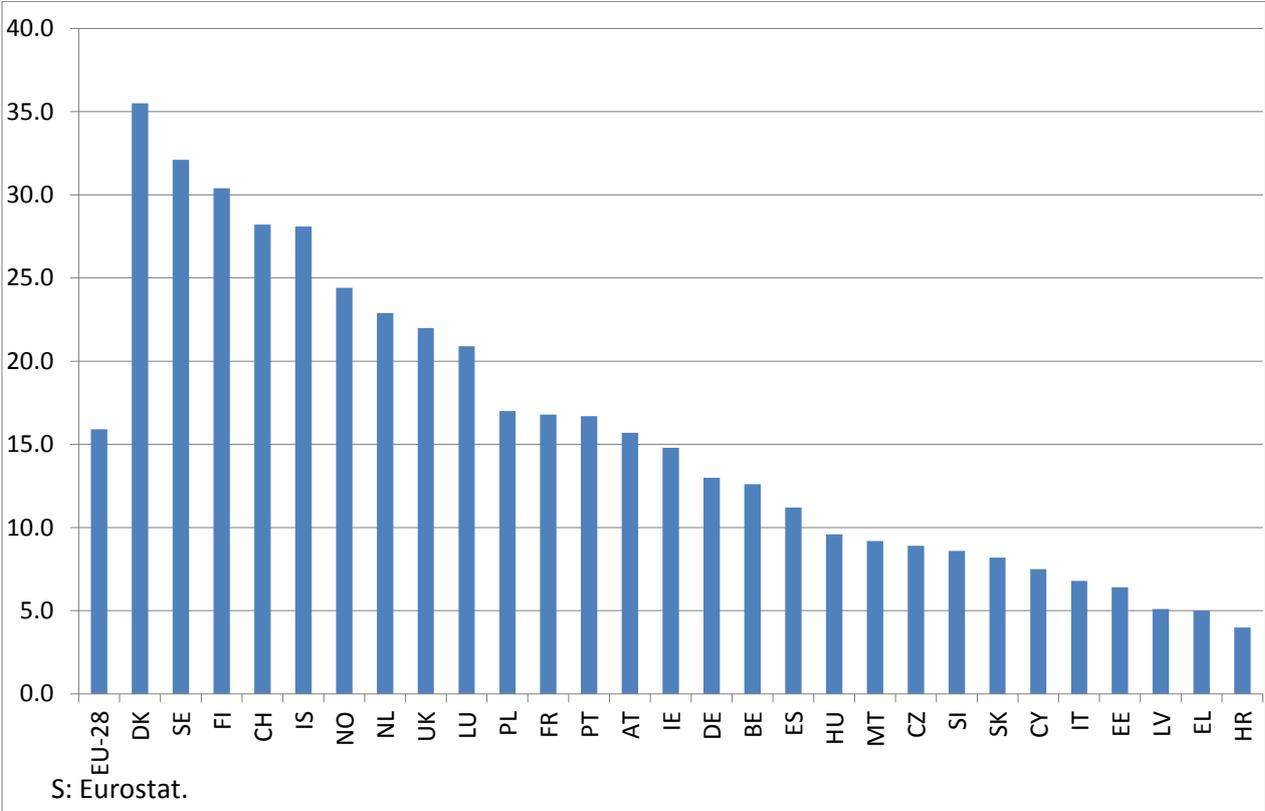
*Graph 5: Percentage of the population (25-64) participating in further education and training in the EU-28: 2016*



Graph 5 shows that the economically and technologically most advanced EU-MS including the EFTA countries Norway, Switzerland and Iceland have the largest proportions of their adult populations engaged in lifelong learning (LLL). These economies are promoting technological and structural change, which requires a continuous adaptation of the skills of the workforce. This means that phases of unemployment can be expected to occur several times in one’s lifetime, but activation measures in combination with LLL ensure that long-term unemployment and social exclusion remain an exception. In the countries most engaged in upskilling their workforces, some 15 to 33% of the adult population aged 25-64 is engaged in upgrading their skills each year. Not surprisingly, their annual expenditures on active labour market policy measures amount to 2% to 3% of GDP.

A fairly small proportion of adults is participating in further education and training in Germany due to the policy preference of Germany for workfare, i.e. employment measures (often subsidised) rather than education and training, resulting in one of the highest proportions of workers in low-wage jobs in Western Europe (22%), many of them migrants. (Lukas 2011) Thus, the participation rate of migrants in education and training measures is fairly low in Germany, amounting to some 13%, as compared to the Nordic countries and Switzerland which have some 25 to 35% of the migrants in education and training measures. (Graph 1)

*Graph 6: Participation rate of foreign born (18-64) in education and training (last 4 weeks) in the EEA: 2015.*



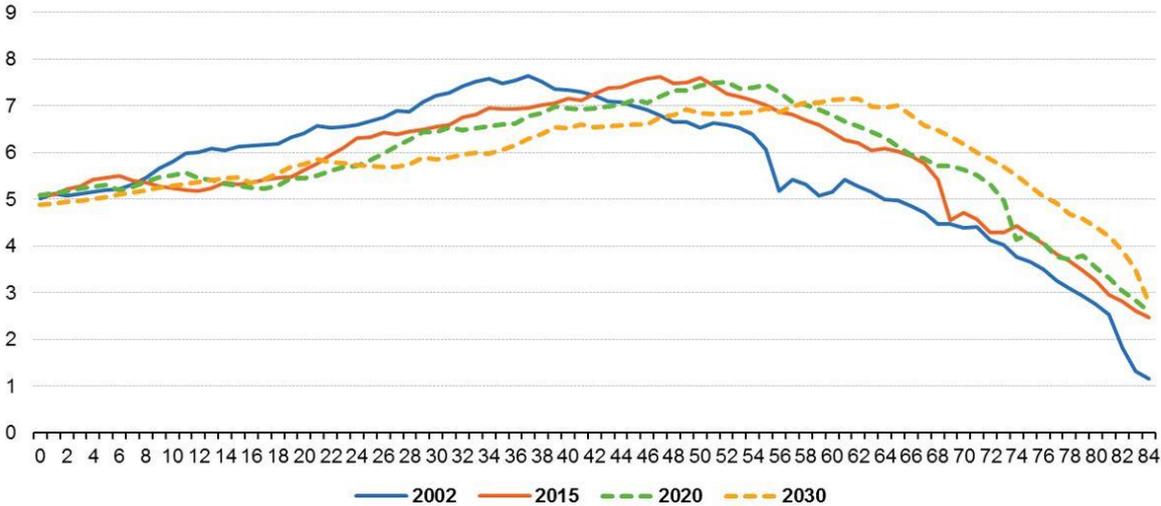
The EU-wide focus on education and training aims to benefit both individuals and society as a whole. Continuous skill adjustment is particularly important in times of rapid technological and structural change flowing from globalisation, technological change, digitalisation and the greening of the economy. Apart from that it is a means to raise the overall employment rate, as the employability and employment rates improve with the educational attainment level. Raising employment rates is an explicit objective of the EU in view of demographic ageing and a shrinking of the working-age population. The instruments available to raise the employment rate are, however, not only LLL-measures but also increased wage and other employment flexibility measures; we see the latter particularly in place in Germany and the UK, by creating a low-wage labour market, largely affecting low-skilled workers, with income support to ensure a decent living.

As migrants are more than proportionately in this low-skill segment, resentment against migrants is particularly pronounced amongst the low-skilled natives for fear of a depreciation of welfare support. Not least in order to ensure social cohesion, many other EU-MS, particularly in the South and North, refrain from implementing measures that raise income inequality, instead prioritising higher employment levels in combination with education and training measures. (Mouhoud & Oudinet 2010) But Southern European countries are increasingly opening up non-standard job opportunities, creating a dual labour market.

Rising employment rates will not suffice to keep the labour force from shrinking, however. Migration will be another instrument in place in view of a decline of the working-age population by 12 % in 2030 and by 33% in 2060 compared with 2009 levels in the absence of net migration (European Commission 2011). The EU population ages at varying speed. Populations that are currently the oldest, such as Germany's and Italy's, will age rapidly for the next twenty years, then stabilise. Some populations that are currently younger, mainly in the East of the EU, will undergo ageing at increasing speed and by 2060 will have the oldest populations in the EU.

*Graph 7: Demographic profile of EU-28 population, 2002, 2015, 2020 and 2030 (million persons)*

*Source: Eurostat online data codes (demo\_pjan) and (proj\_13npms)*



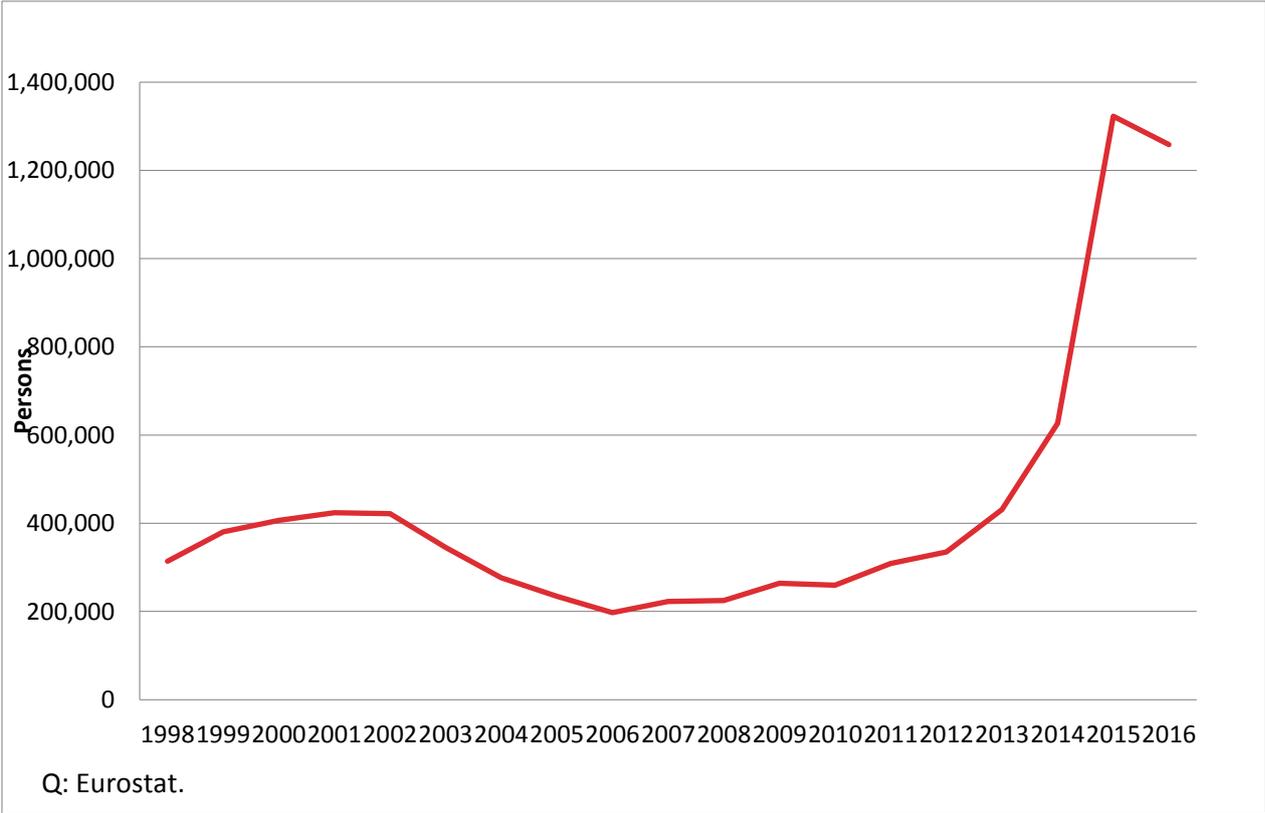
(\*) 2002–2015: observed populations; 2020–2030: projections based on EUROPOP2013 main scenario; age group '85 or over' not shown.

While refugee migration may help slow down the demographic ageing process, their low educational attainment level together with traditional employment behaviour patterns, in particular a low activity rate of women, represent major challenges for sustainable economic growth. The recent progress in the upskilling of third-country migrants in many EU-MS is, however, an indication of successful institutional and regulatory reforms which may also help promote the integration of the recent wave of refugees.

**1.4 Refugees and the challenge of integration**

The European Union is advocating migration to counter population ageing, with a focus on skilled migration to stabilise the EU’s competitive position on global markets without abandoning its expensive social model. To integrate large numbers of refugees, many of whom have few skills, will be a major challenge. This is suggested by research into the integration of refugees into the labour market in Europe (OECD 2016): it takes refugees up to 20 years to reach a similar employment rate as the native-born. In the first 5 years after arrival, only one in four refugees is employed. This is the lowest rate of any migrant group, to a significant extent a consequence of the lower educational attainment level of refugees. To what extent the experience of refugees in Europe in the last 20 years is valid for today’s opportunities is an open question. Institutional support of this most vulnerable group of migrants has not been well established until recently. But the sheer size of the current inflows requires even greater efforts on the part of the refugees as well as the host country institutions, should the EU-targets for socio-economic development continue to be feasible.

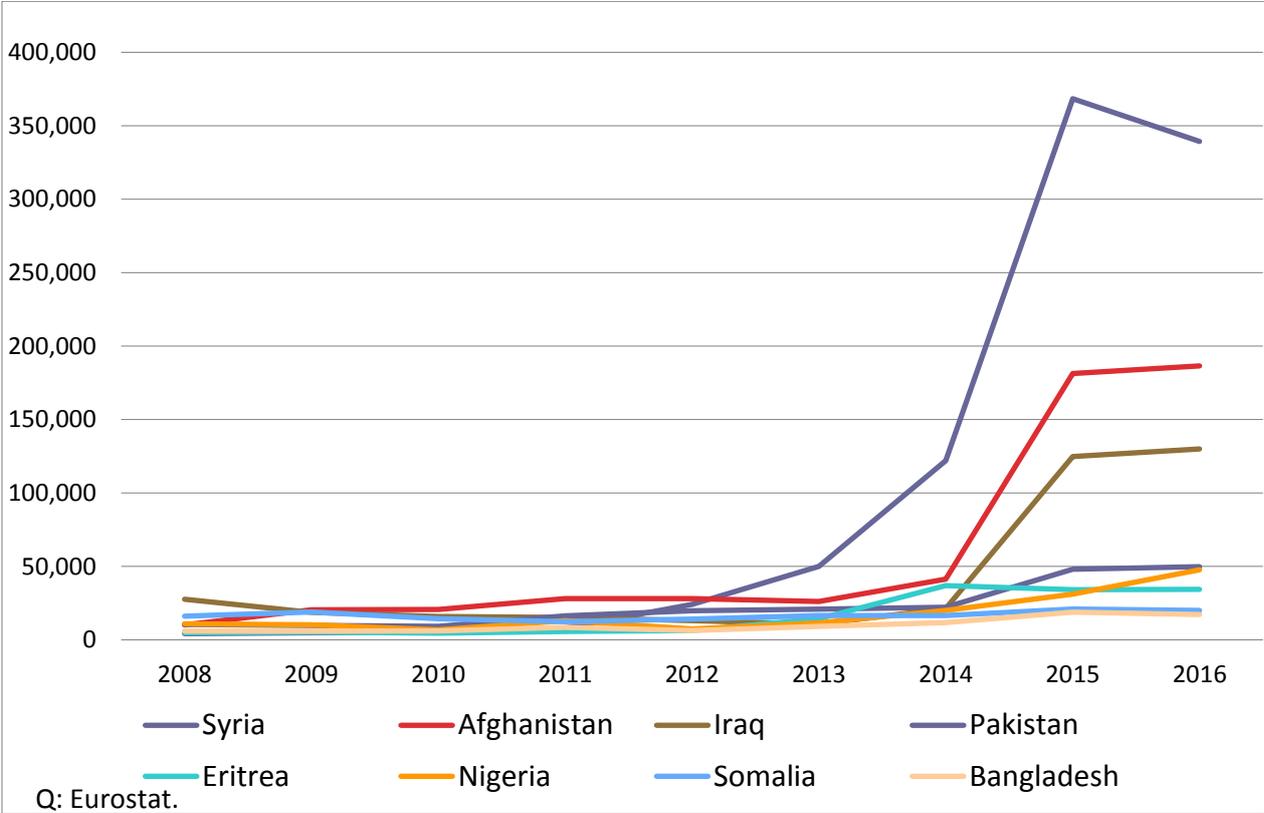
*Graph 8: Asylum seekers in the EU27/28*



But it is not only the size of the inflow which is unprecedented but also the degree of ethnic-cultural diversity. The large inflows of refugees of the past tended to originate from within Europe or from neighbouring regions. As a consequence, only few EU-MS have migrants from the current major source countries, namely Syria, Afghanistan, Iraq, Pakistan, Somalia, Bangladesh, Nigeria and Eritrea. (Graph 9) Exceptions are Sweden

and Germany, who in the past had tended to take in political refugees, often highly skilled people, from the regions concerned.

Graph 9; Asylum seekers in the EU-28 from the major source countries



It is assumed that the social network effect in addition to the social-media propagation of a welcoming Germany were at least partly responsible for the large inflows in Germany and Sweden. (Gillespie et al 2016) Over the years 2015 and 2016, the major receiving countries of refugees were Germany (with 1.2 million asylum seekers), followed by Hungary (206,600)<sup>4</sup>, Italy (206,500), Sweden (191,200), France (159,700), and Austria (130,100). Relative to their population, Sweden had the highest inflows, followed by Austria and Germany.

The inflow of refugees was abrupt and unexpected in size such that public administration as well as border controls were taken by surprise. Had it not been for immediate popular support and initiatives by NGOs and voluntary helpers, a human crisis could have ensued in the major recipient countries. Public administration took over and provided health care and accommodation while at the same time expanding asylum processing capacities. Some countries were quick to re-establish border controls, e.g. Austria, following the example of Hungary. But the major consequence of the large refugee inflows was the realisation of all EU-MS that a common European asylum and refugee policy had to be

<sup>4</sup> Hungary is a special case since the overwhelming majority of registered asylum seekers just transited and did not stay in the country.

developed and adhered to (Malta Declaration 2017)<sup>5</sup>. A closer control of external borders is only one aspect; the other is economic co-operation with potential source countries with migration becoming an integral part of the co-operation agreements (EC 2014).

The immediate challenge is to ensure a quick and lasting integration of refugees in the economy and society. Accordingly, every EU-MS has developed special integration programmes, starting with language and orientation courses and an assessment of skills and competencies. The best data on the skills of asylum seekers in Germany comes from the BAMF (Federal Office for Migration and Refugee Affairs), where more than 70% of all adult asylum seekers (18 and older) applying in 2015 were asked about their educational background as well as their professional qualifications and language skills (Rich, 2016). According to these data, asylum seekers from Syria tended to have the highest skill levels with 27% university education, some 50% with medium to upper skill levels and only some 20% with basic education.

In contrast, more than half of the asylum seekers from Afghanistan, Eritrea and Somalia had very low educational qualifications; many had no schooling at all. The situation is not much different in Austria. According to Buber-Ennser et al. (2016) somewhat more than 50% of the refugees willing to provide information had no education beyond primary school and a quarter had medium to higher skills. Also in Austria, asylum seekers from Syria and Iraq tended to have the highest educational attainment levels, with comparatively high proportions of university graduates (up to 20%) while persons from Afghanistan and Somalia tended to have the lowest skills, some 30% had not had any formal schooling at all.

While every beneficiary of international/humanitarian protection has the legal right to enter employment immediately (Qualification Directive<sup>6</sup>), this is hardly ever possible without specific support services. Refugees often face practical obstacles, e.g. lack of documentation proving qualifications, lack of social networks, housing instability, lack of language proficiency etc., which make it difficult for them to access the labour market. Often psychological and physical distress are additional impediments to take up a job. (emn 2015)

NGOs, the unions and public employment services tend to promote a stepwise approach to integration, beginning with education and training measures and skill upgrading in combination with language training, followed by actual employment. This sequencing is

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<sup>5</sup> For more see <http://www.consilium.europa.eu/en/press/press-releases/2017/01/03-malta-declaration/>

<sup>6</sup> Council Directive 2004/83/EC of 29 April 2004 on minimum standards for the qualification and status of third country nationals or stateless persons as refugees or as persons who otherwise need international protection and the content of the protection granted.

meant to open up a larger employment spectrum for the refugees and raise their employment and income prospects in the long-run.

In many countries, e.g. in Germany and Austria in 2016, legislative change has followed the large refugee intake (integration act), demanding of refugees to cooperate and adopt integration measures (one year introduction programme for newly arrived refugees) in exchange for various types of support services and welfare payments. In addition, Germany promotes the integration of refugees via the low wage labour market (1 euro jobs); Austria, in contrast, opens up jobs in community and voluntary work areas for as long as the refugees are not 'job-ready'. The participation in such type of work does not affect the regular labour market, but allows to establish social ties with the local community while at the same time learning about local work practices and behaviour patterns.

Similar introductory courses have been put in place in the Nordic countries for some time. Hagelund (2005) draws attention to the compulsory two-year introduction programme for newly arrived refugees in Norway, an effort to "educate refugees to life in a welfare state". The introduction programme is an activation programme "involving both a financial and an educational component, where out-payments depend on participation in a full-time training programme aimed at enabling participants to become self-sufficient members of Norwegian society". Hagelund explains the need for such a programme as immigration, in particular of refugees, has challenged the Norwegian welfare state model. She clarifies that integration is not only an effort on the part of the individual refugee but has to be enabled by public administration, from the Home Office to hundreds of local municipalities, as well as employment and education services. The challenge in the Nordic countries, as well as in Germany and Austria, is the management of cooperation between the various institutions, the coordination of actions in order for them to be complementary, efficient and parsimonious.

Southern European countries are following a different integration route as their welfare models are not as inclusive as the Nordic ones. In addition, their labour market regulations are rigid and any deregulation is strongly opposed by the unions. As a result a variety of non-standard jobs is being created, which carry few protections against dismissals and social security coverage. A dualisation of the labour market is evolving, with many migrants, in particular third country migrants such as refugees, taking up these non-standard jobs. Mouhoud & Oudinet (2010) point out that this is a way for migrants in the 'peripheral' regions of the EU, as the Southern European countries tend to be referred to, to enter the labour market; after spending some time at these menial jobs, they may move freely within the EU and hope thereby to improve their living and working conditions.

Another trend in the Nordic countries as well as Central European countries such as Austria and Germany is the restriction of generous welfare payments to nationals and the reduction for migrants, in particular refugees. While this welfare chauvinism may appeal to the native losers in the ongoing economic transformation, it is short sighted as it creates a new class of losers who may not realise their full potential to contribute to economic growth. The welfare states are slowly changing and converging with the Nordic ones in that income protection and income transfers are reduced in favour of more services provision and investment in human capital, in particular child-care services and education and skills provision and upgrades. If Europe is successful in the establishment of this type of a social investment welfare model, refugees may have actual chances to succeed and to contribute to a sustainable economic growth path. The challenge is to convince politicians to invest in the refugees now to ensure their integration and development of their potentials for the better of them and the rest of society.

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