

Refugee labor market integration: Lessons from Norway

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Draws on joint work with Oddbjørn Raaum and Knut Røed

SNS seminar “Hur ska flyktingar få jobb? Erfarenheter från de nordiska länderna” Stockholm, November 21, 2017

References

- Bratsberg, Bernt, Oddbjørn Raaum, and Knut Røed (2017), “Immigrant Labor Market Integration across Admission Classes,” *Nordic Economic Policy Review* 2017, 17-54.
 - Here with updated data
- Bratsberg, Bernt, Oddbjørn Raaum, and Knut Røed (2016), “Labor market integration of refugees in Norway,” in F. Fasani (ed), *Refugees and Economic Migrants: Facts, policies and challenges*, VoxEU.org Book, CEPR Press: 37-52.
- Bratsberg, Bernt, Oddbjørn Raaum, and Knut Røed (2017), “Job Loss and Immigrant Labor Market Performance,” *Economica*, forthcoming
- Bernt Bratsberg, Oddbjørn Raaum, and Knut Røed (2017), “Immigrant Responses to Social Insurance Generosity,” Frisch Centre, November 2017
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Refugee labor market integration

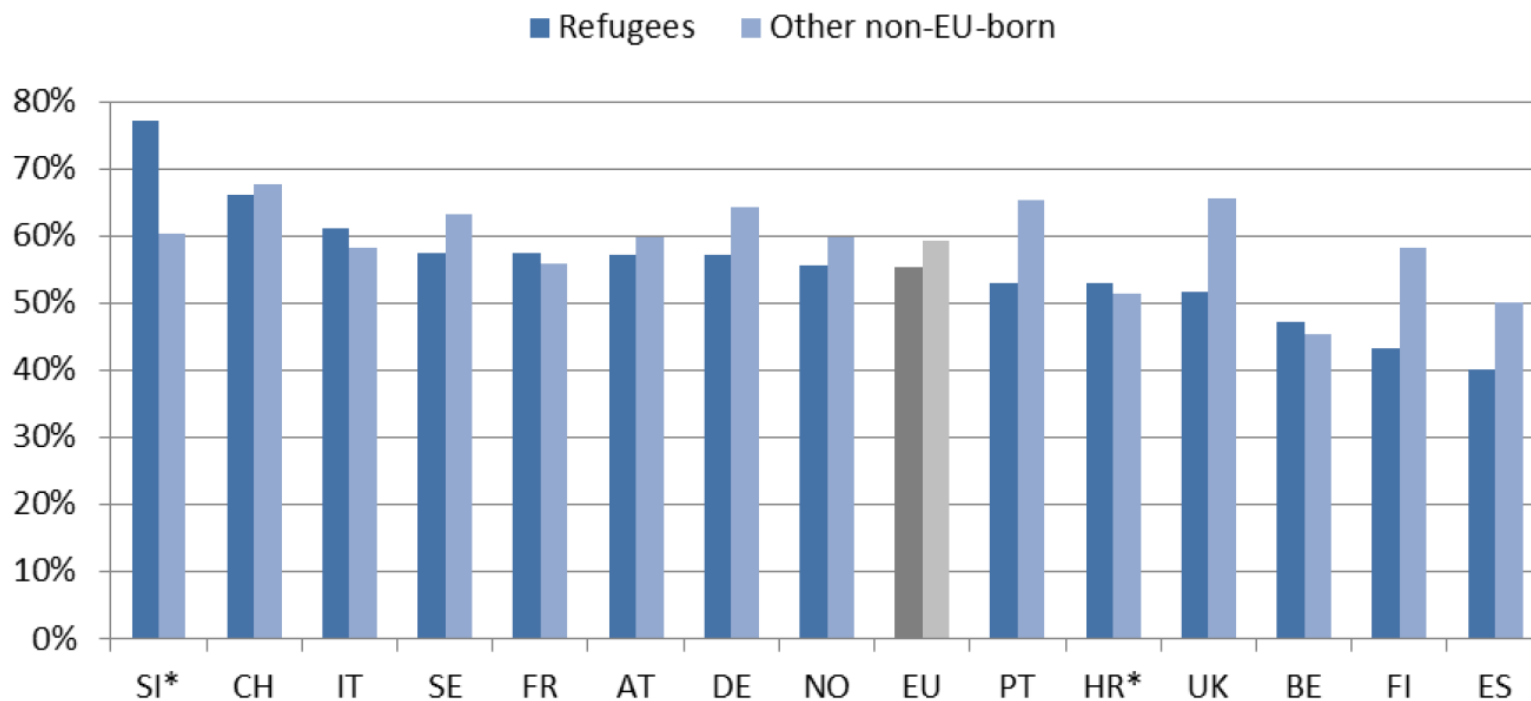
- Economic gains from international migration (Clemens, 2011; Kennan, 2012; Rodrik, 2016)
- But, mounting evidence that refugees and family immigrants from low-income countries have low employment rates (and high rates of social insurance uptake)

Refugees in the US vs. the European labor market

- Stylized fact from the US that refugees assimilate faster into the labor market than other immigrant groups (Borjas, 1982; Cortes, 2004; Chin and Cortes, 2015)
 - Human capital (schooling, language) investments; long time horizon
- European evidence mixed?
 - Evidence from 2008 and 2014 EU LFS (Damas de Matos and Liebig, 2014; Dustmann et al, 2016; Dumont et al., 2016)

Employment rates of refugees are lower than those of other immigrants, 2014 EU LFS

Figure 10. Employment rate of refugees and other non-EU born in the European Union, 2014

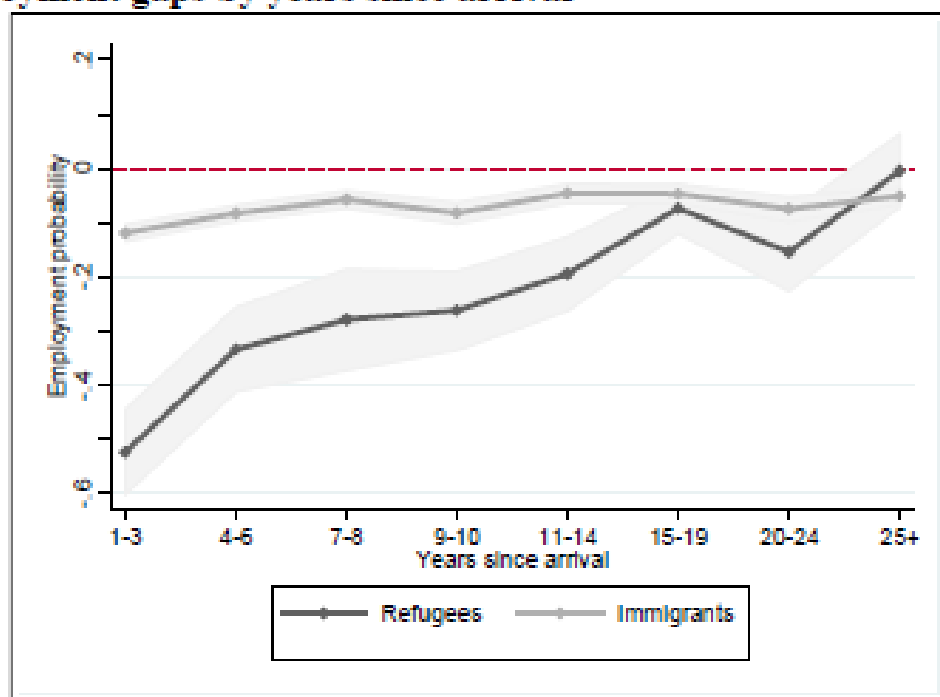


Source: Own calculations based on EU LFS 2014 AHM. Data cover 25 countries of the European Union. *Low reliability for data on refugees in Slovenia and Croatia.

Source: Dumont et al. (2016) (EC OECD)

But catching up with years since arrival, 2008 EU LFS

Figure 10: Employment gaps by years since arrival



Note. The figure displays gaps (together with 90 percent confidence intervals) in the employment probabilities of economic immigrants versus natives and refugees versus natives by years since arrival obtained from linear probability models that condition on gender, age (dummy variables for 5-year age groups), education (dummy variables for lower secondary and tertiary education), and host country fixed effects. The sample includes individuals aged between 25 and 64 not in full-time education or military service.

Assessing refugee labor market integration

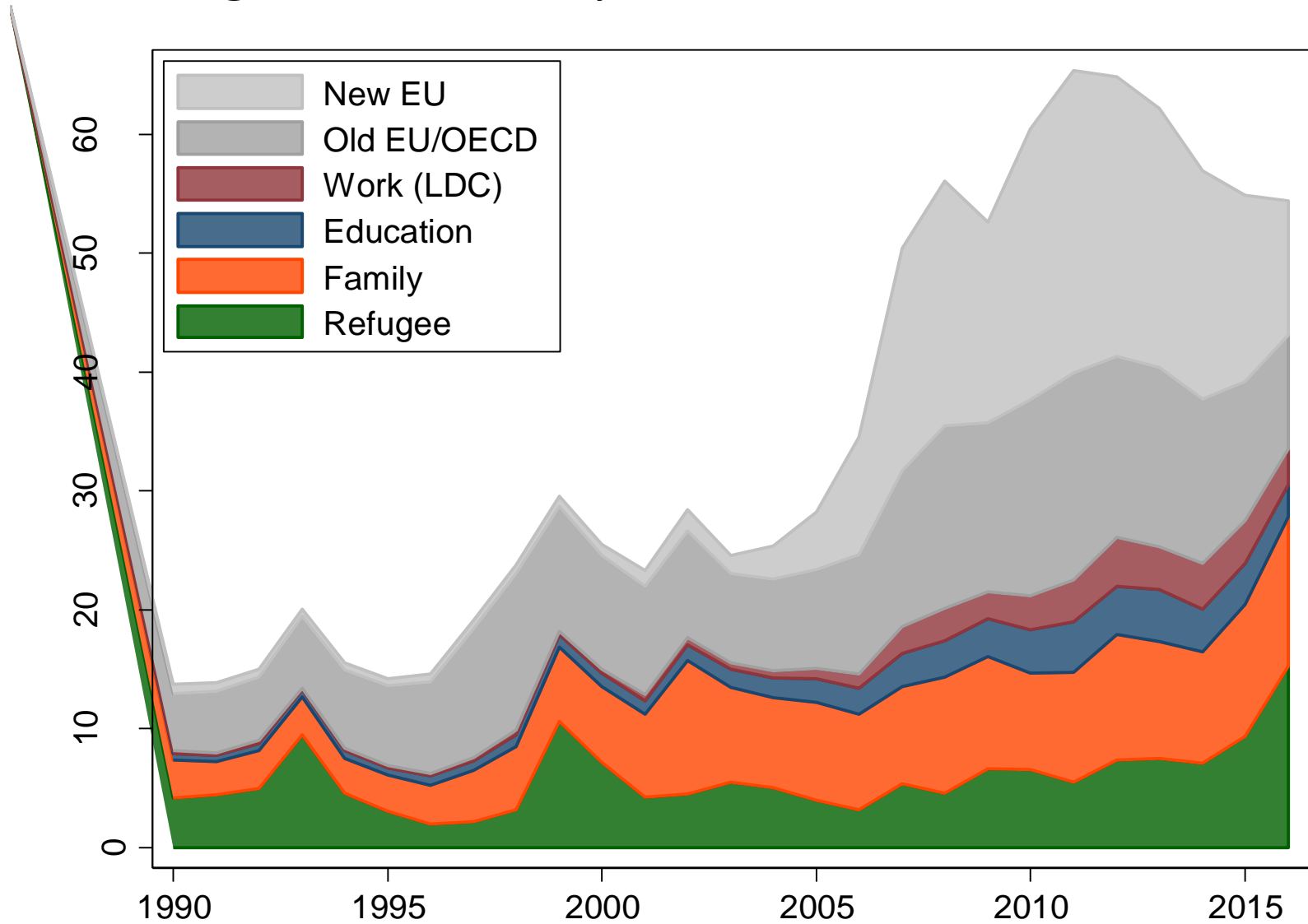
- Methodological challenges even for the simplest descriptive patterns
 - Cross-sectional snapshot may be deceiving
 - Country of origin, cohort, and period effects
 - Selective outmigration or early retirement; include those who were children at entry?
- Major strength of Nordic studies: Longitudinal register data, track cohorts/individuals over time

BRR, NEPR 2017:

Immigrant labor market integration across admission classes

- Immigrants, 18-47 at time of arrival, admissions since 1990
- Admission classes:
 - Refugees (resettled and asylum seekers)
 - Family immigrants
 - Work/education (from outside EU/OECD)
 - New EU
 - Old EU
- Main source of income: employment or social insurance?
 - Compare earnings from work and transfer income

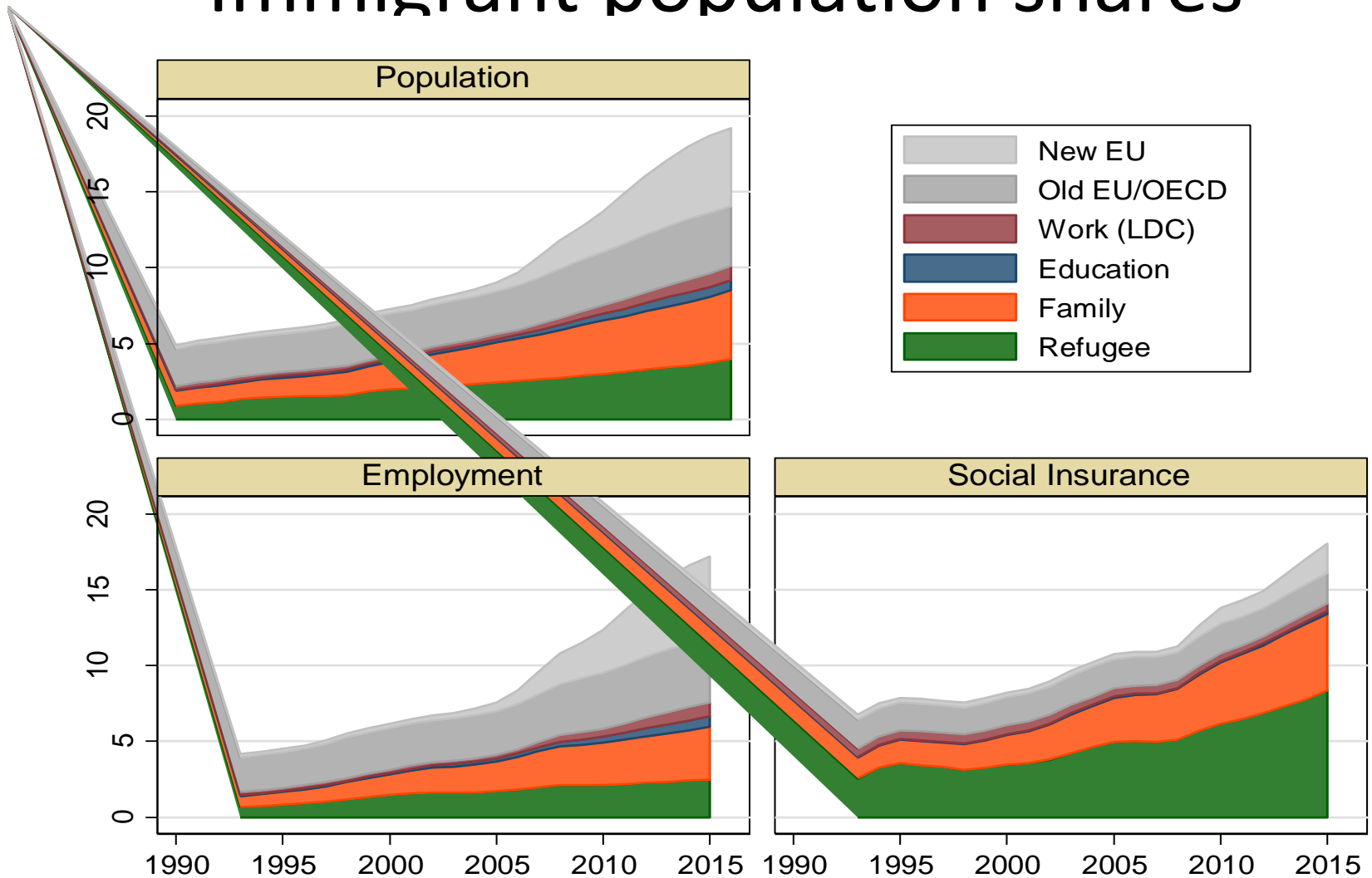
Immigrant inflows by admission class 1990-2016



Not everyone stays over time

- Share still in Norway after 10 years:
 - Refugees 85%
 - Family immigrants 85%
 - New EU 70%
 - Work (LDC) 45%
 - Old EU 40%
 - Education (LDC) 30%
- Stock reflects both inflows and outflows

Immigrant population shares



Note: Population consists of those aged 25-65 and in Norway at end of each calendar year.

The labor market integration process

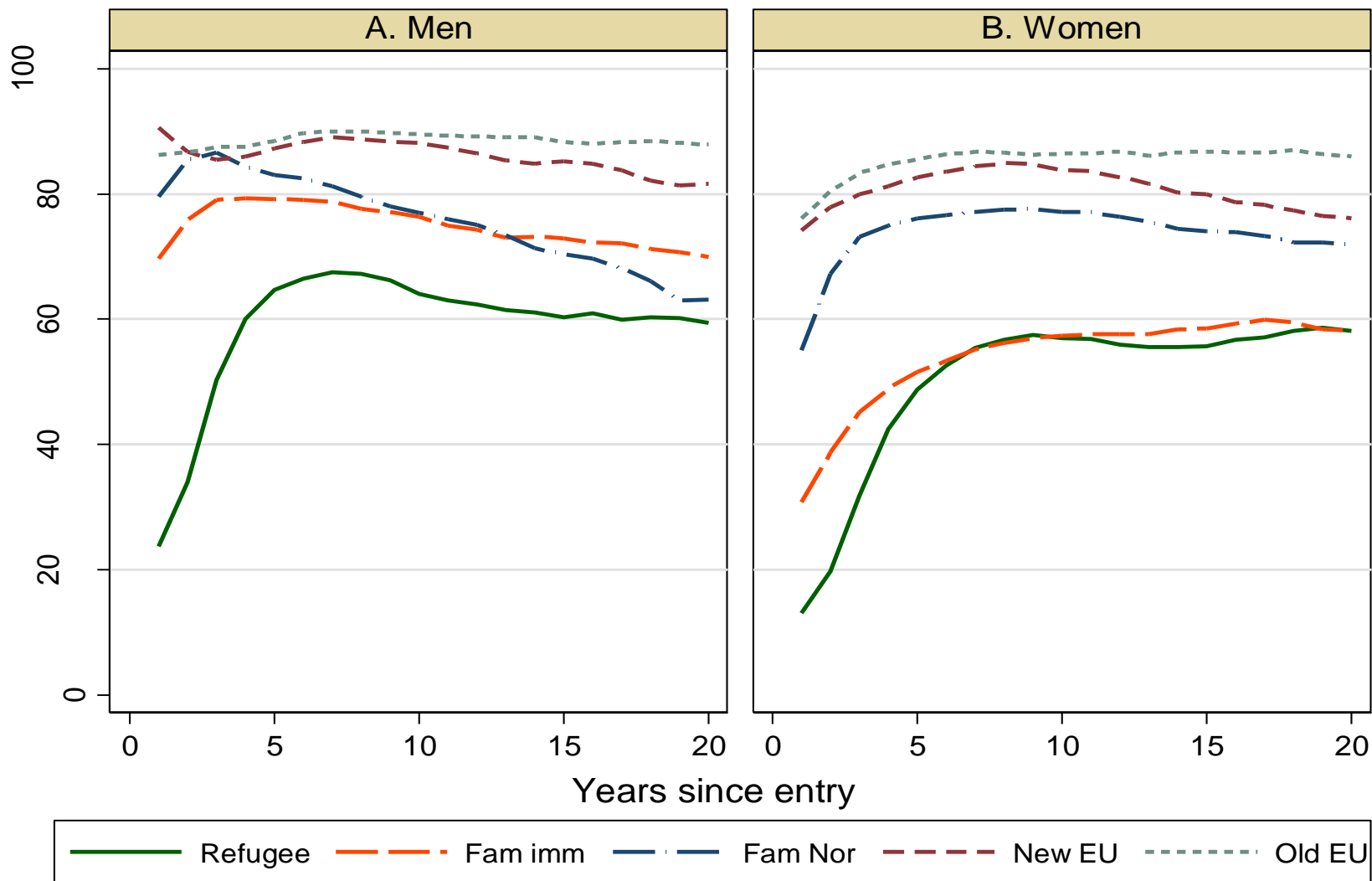
- Expect low refugee employment rates at entry
- Over time, acquisition of skills (language, education), improved networks, removal of barriers yield rising integration
- Labor market entry also gives entitlement to social insurance programs
 - Prior evidence shows that immigrants are vulnerable to business cycle fluctuations and structural change
- Not clear that integration process prevails over the long term

The labor market integration process— empirical analysis

Refugee employment by years since admission

- Adult arrivals 1990-2014
- Observe outcomes 1993-2015
- Samples age 25-62, in Norway end of calendar yr
- Natives same age range
- 45 262 574 observations

Employment: Share of immigrants whose main source of income is work, by gender, admission class, and years since entry



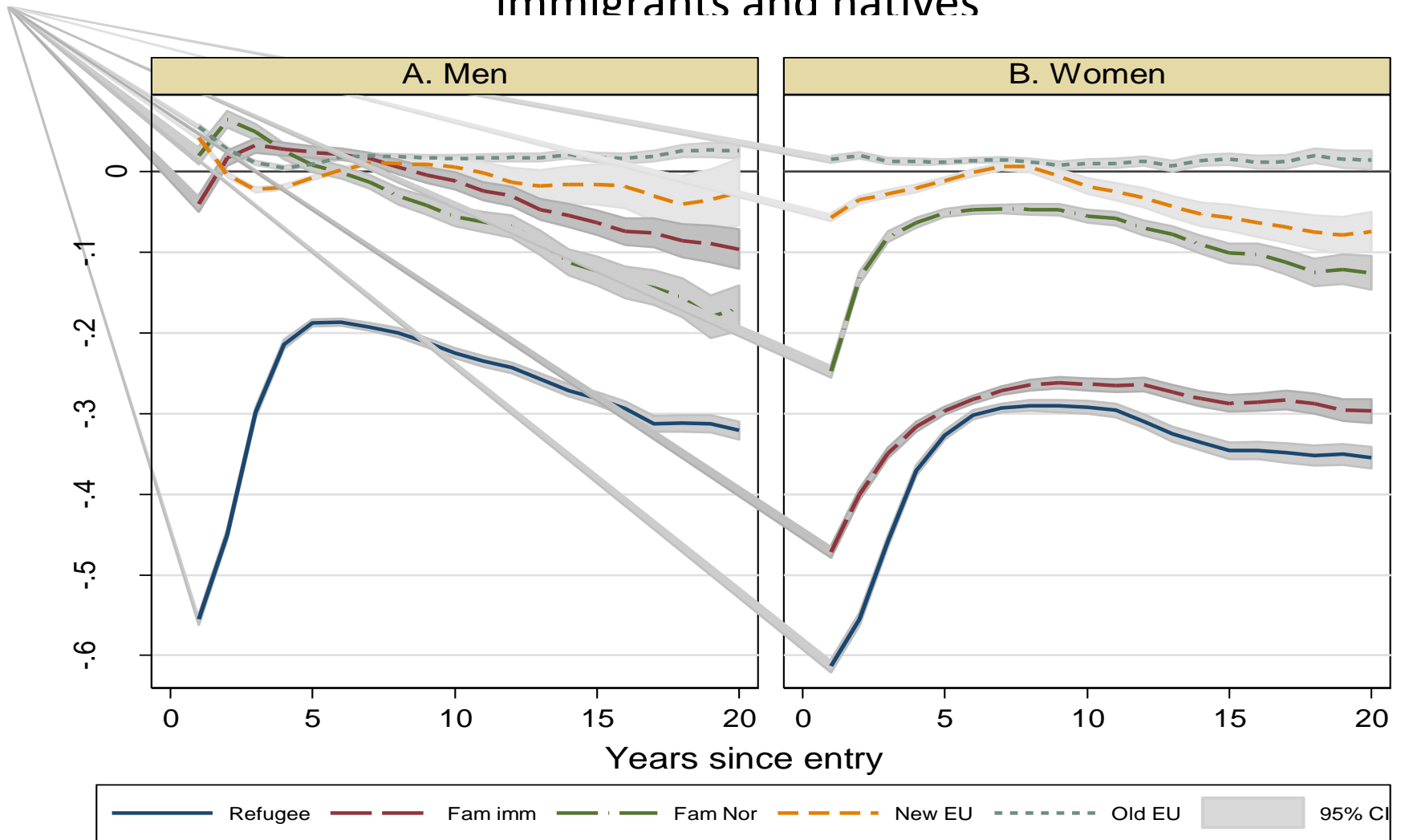
Note: Population consists of those aged 25-62 and in Norway at end of each calendar year. Observation period is 1993-2015. Sample restricted to 1990-2014 arrivals, 18-47 at entry.

Regression model

Want to isolate effect of *time in the host country*, controlling for

- age,
- any arrival cohort heterogeneity,
- country of origin effects,
- period effects, and
- other factors such as education.

Regression results: Predicted **employment** differential between immigrants and natives



Note: Differentials are based on a regression model that controls for educational attainment, whether schooling is acquired in Norway, whether the highest attainment is from Norway, whether education information is missing, local unemployment, and age at entry—all interacted with the five admission categories. The regression further controls for age, county of residence, year of observation, and country of birth, as well as educational attainment and local unemployment interacted with native status. Differentials are evaluated at the weighted average educational attainment in each immigrant sample.

Key lesson

- The labor market integration process loses steam and goes into reverse after just a few years
 - After shrinking for 5 to 10 years of residence, immigrant-native employment differentials start to widen again
 - Refugees as well as family immigrants
- This suggests that many refugees do not realize their full employment potential
 - There is scope for improvement!

Why do immigrant-native differentials widen?

1. Business cycles

- Immigrants much more sensitive to business cycle fluctuations
- More likely to work in downsizing and closing firms
- More likely to be selected for layoff in downsizings
 - Last inn – first out
 - More “marginal” jobs
- Larger adverse effects of job loss
 - Less flexible skills

2. Human capital

- Education from home country may be of limited value after job loss
- May imply poor job opportunities relative to aspirations

Why do immigrant-native differentials widen?

3. Social insurance

- High replacement ratios
 - Progressivity and child allowances
 - Poor job alternatives
- Small utility difference between employment and non-employment
- Inactivity-promoting social insurance: Disability insurance only long-term alternative

4. Integration policies

- Focus on a first job represents a ticket to social insurance eligibility, but not necessarily to a viable labor market career

Policies that work?

- *(Refugees educated in Norway do better, BBR 2017)*
- *(Refugees with pre-admission employment in Norway do better, BBR 2016)*
- Subsistence requirements for family reunification (BR, 2012; BR, in progress)
- Activation requirements for social assistance (in progress)
- Introduction program?

Introduction program

The major program for refugee integration since 2004

- “Refugees and their families who have been granted a residence permit in Norway have the right to/are obliged to complete an introductory program. All municipalities that settle refugees are obliged to offer the program”
- “The purpose is to increase the possibility of newly arrived immigrants participating in working and social life and to increase their financial independence”
- Two (three) years, grant 2G (NOK 187 268) per year

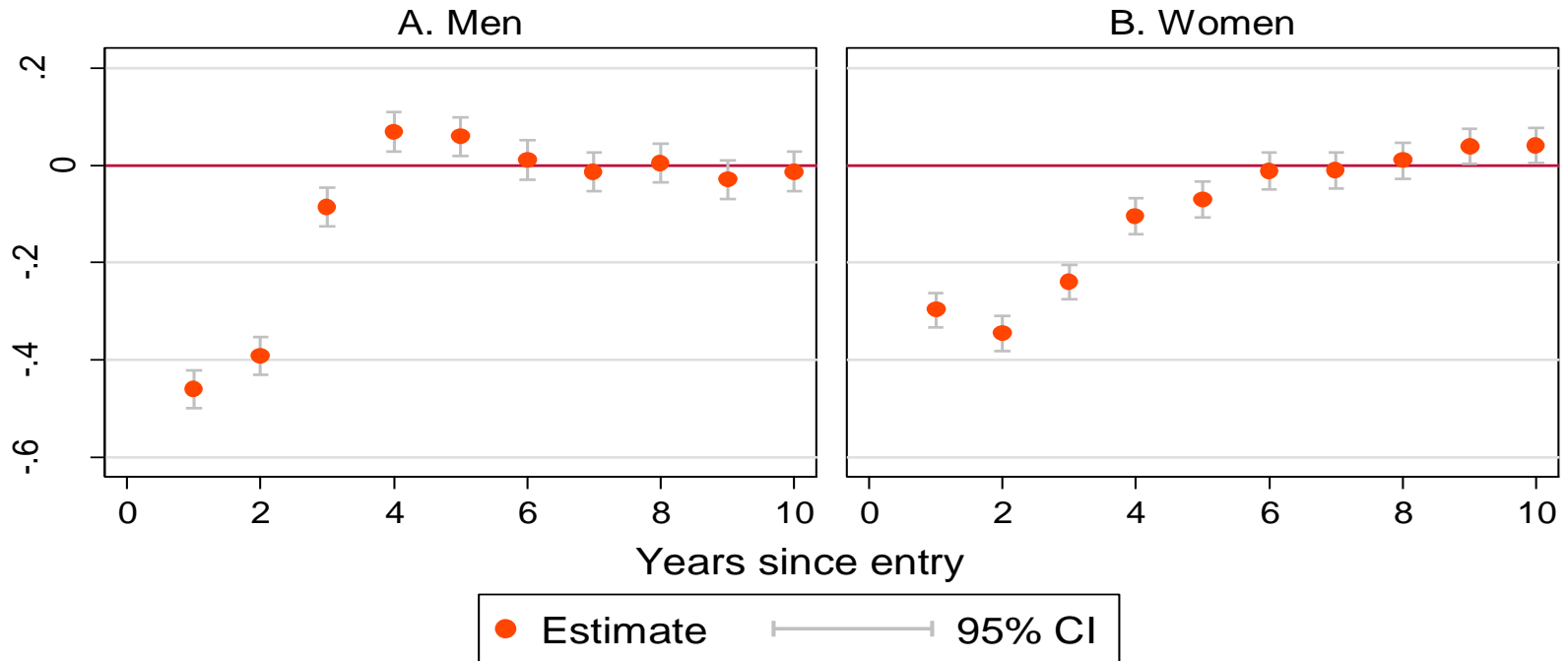
Source: IMDI web page

Evaluate effects with causal design?

Effects of the introduction program

- Difference in differences design
- Treatment group: Refugees and family
- Control group: Family to non-refugee immigrants
 - Immigrants from the same source countries
- Pre-reform cohorts 1999-2001 vs post-reform cohorts 2003-2005
 - Follow 14 and 10 yrs after admission

Program effects on employment



Note: Regressions control for age (indicators 25-57), educational attainment at admission, local unemployment rate, county of residence (current and at admission; 38 indicators), year (2000-2015) and country of birth (136 indicators)

Effects of the introduction program

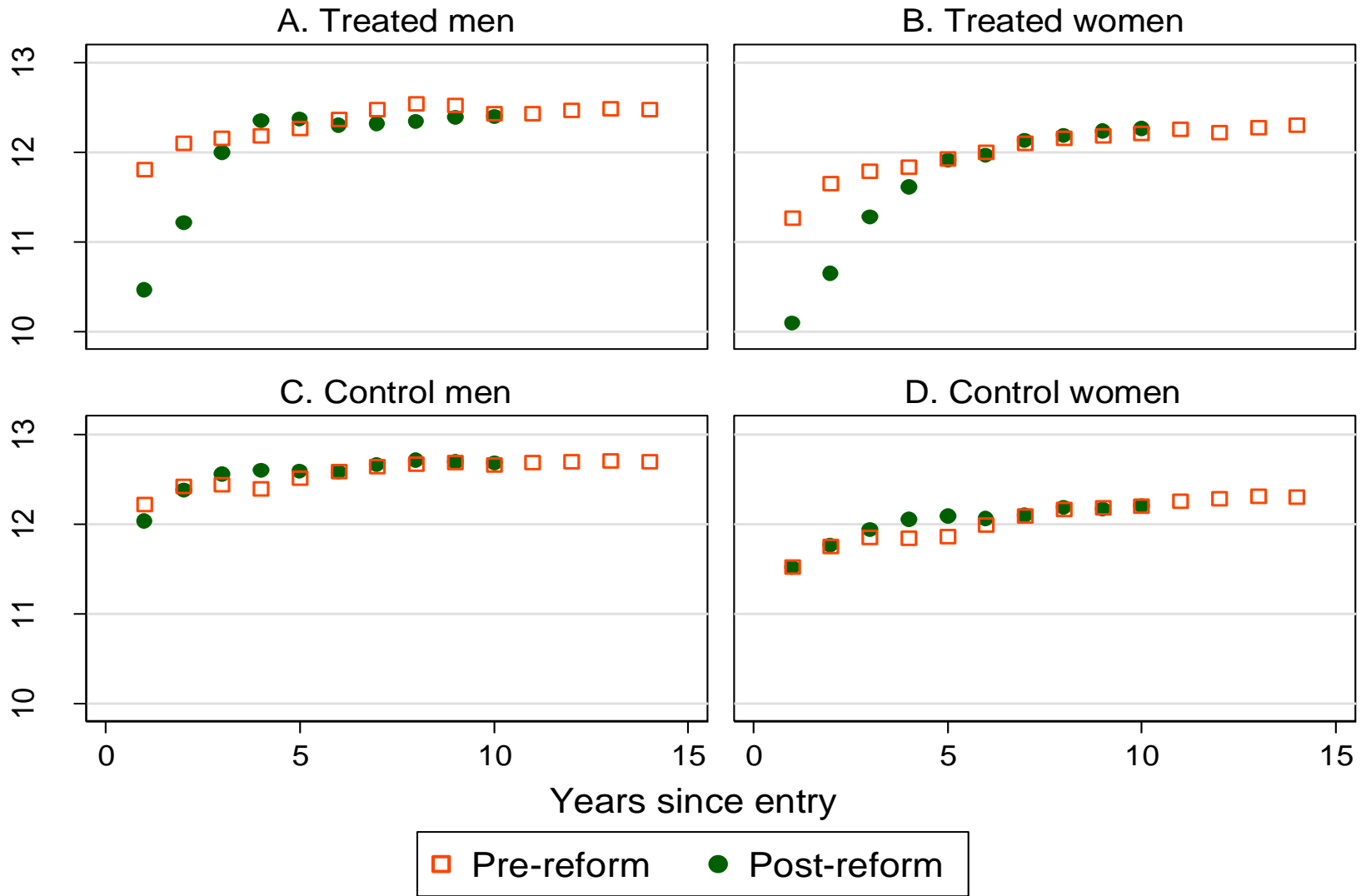
- Large, negative effect on employment yrs 1-3
 - Program lock-in
- Positive effects on employment, male refugees yrs 4-5; small, positive effect on employment of female refugees 9-10 yrs after entry
- Otherwise, no long-term effects on employment or social insurance up-take

But, does program lead to

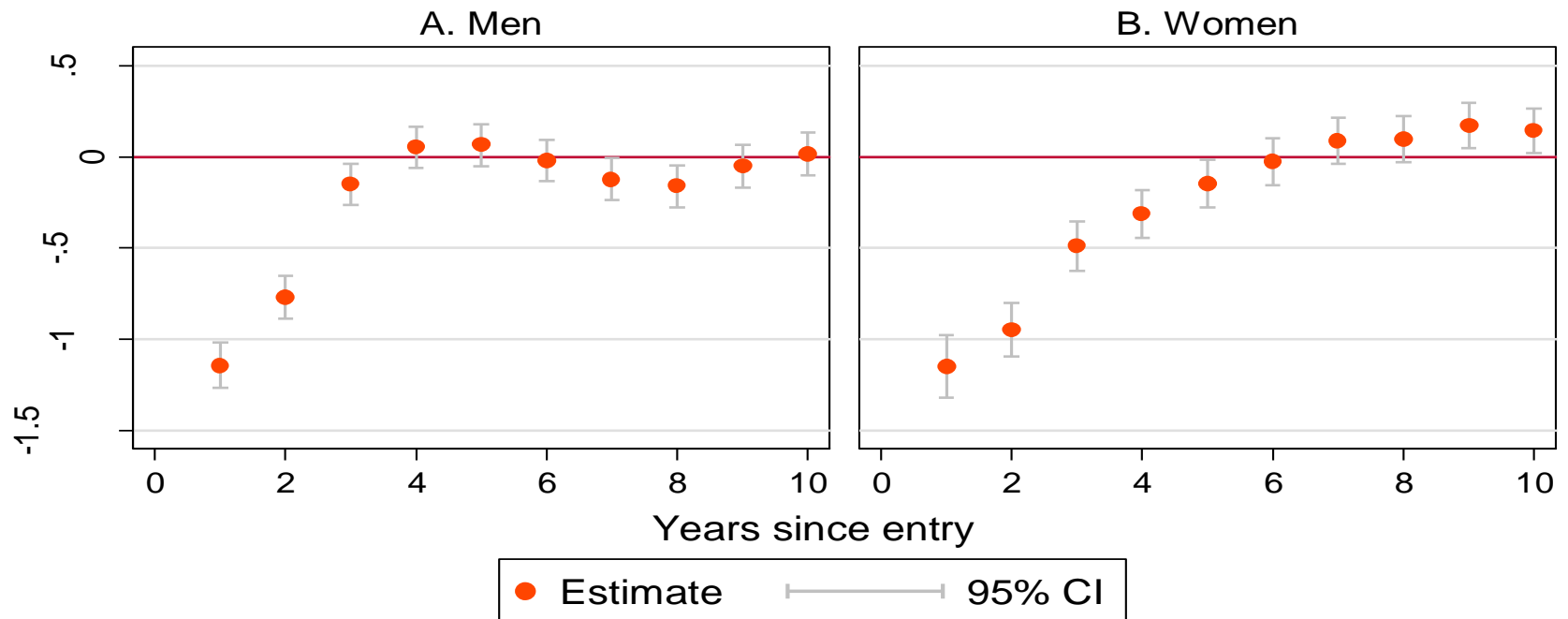
- Human capital, better jobs, higher pay?
- Improved overall economic position of refugees?

Examine effects on earnings and after-tax income:

Log earnings

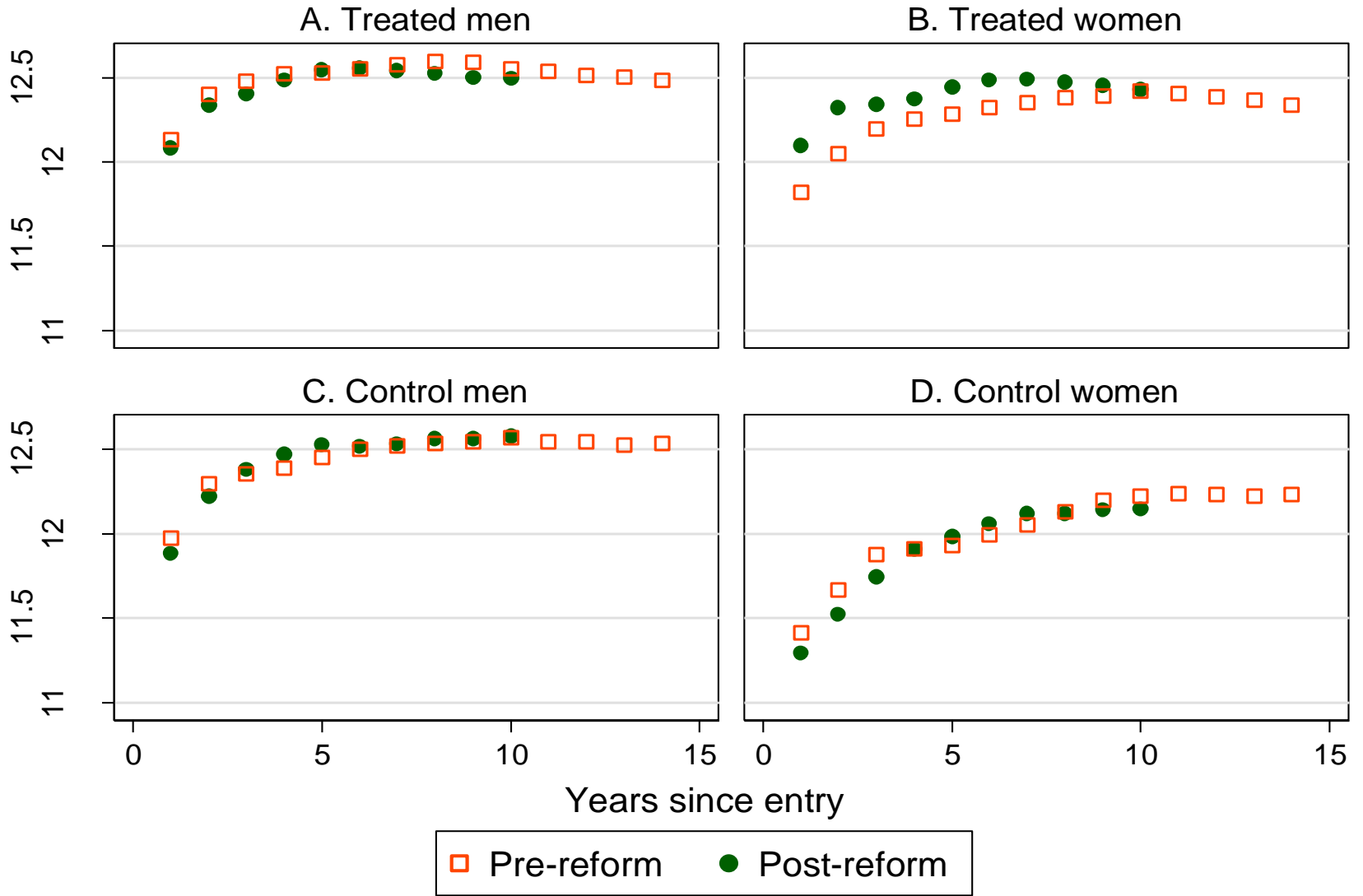


Program effects on log earnings

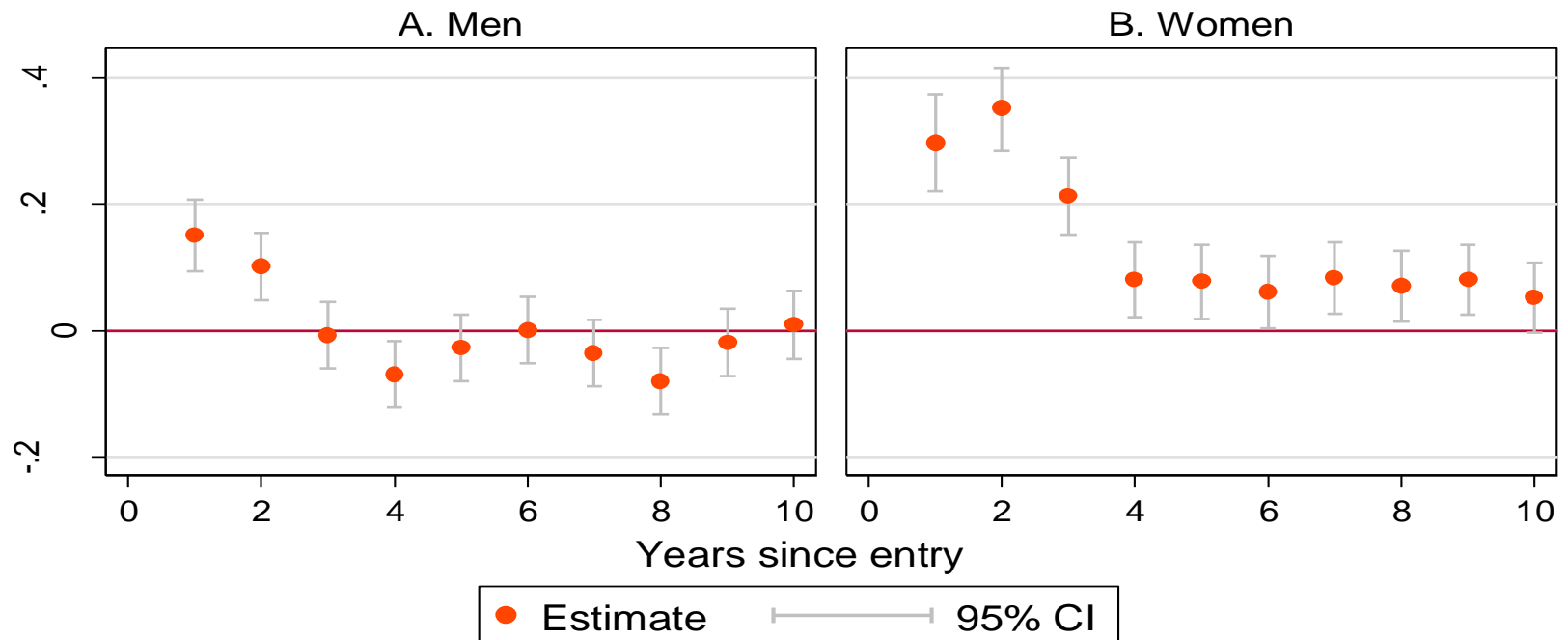


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Log after-tax income



Program effects on log after-tax income



Note: Regressions control for age (indicators 25-57), educational attainment at admission, local unemployment rate, county of residence (current and at admission; 38 indicators), year (2000-2015) and country of birth (136 indicators)

Introduction program

- Positive for economic status of refugee women
- Otherwise, no discernable long-term effects on economic self-sufficiency