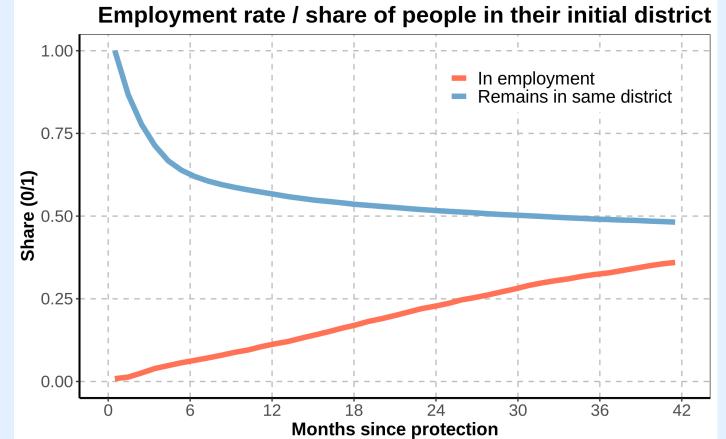universität innsbruck

Opportunities or Benefits: Local Conditions and Refugee Labor Market Integration

Valentin Wett, Pro Scientia Presentation, 18. April 2023

joint work with Andreas Steinmayr and Katia Gallegos Torres

Motivation

Labor market integration of refugees is low in many countries

Employment rate / share of people in their initial district

- The labor market participation rate of refugees who arrived in Austria in 2015 only exceeded 50 percent in 2021.
- About 50% of the refugees relocate after receiving protection, with most moving to Vienna.

Research Questions

- **How important are initial local labor market conditions for refugees' integration?**
- **Does the level of welfare benefits affect the integration of refugees?**

Data
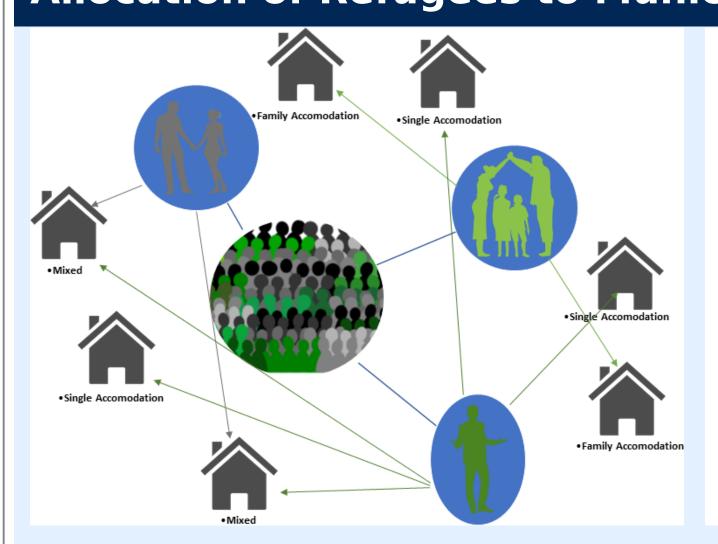
Individual Level Register Data

- Austrian Social Security Database (ASSD): Matched Austrian firm-worker administrative data for the period 2011 - 2021.
- Additional data from the PES include refugees' status and date of protection, language skills, education level, profession, municipality of residence, etc.
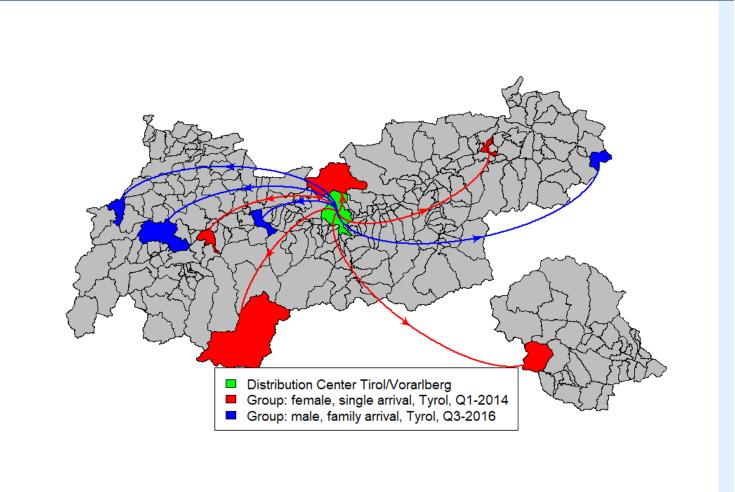
Treatment Variables

- **Vacancy-Unemployment-Ratio (VUR_{r,t_0}):** Ratio of open positions to job seekers in the residency district at the date of asylum approval (monthly).
- **Potential Benefit Level (BEN_{i,r,t_0}):** Amount of potential welfare benefits for individuals or families, measured in units of 1000€. It varies by state, year, family and protection status, normalized to 2015 € values at the date of approval.

Identification Strategy

Allocation of Refugees to Municipalities

- Upon arrival, asylum seekers are assigned to states by national authorities, based on state quotas.
- Municipalities can express preferences for asylum seekers with certain characteristics, such as accepting only males or families. But they cannot select individual asylum seekers.
- Conditional on arrival group (δ_g), based on family status, gender, quarter of immigration, distribution center, asylum seekers are quasi-randomly allocated to municipalities.

Implications of Placement and Labor Market Restrictions

- Asylum seekers must remain in the assigned state, and their labor market access is significantly limited until their claim has been processed.
- Upon receiving protection status refugees have unrestricted access to the labor market. At this moment, they encounter specific local conditions, measured by VUR and BEN.
- **We study how differences in VUR and BEN at the time of protection affect labor market integration and mobility.**

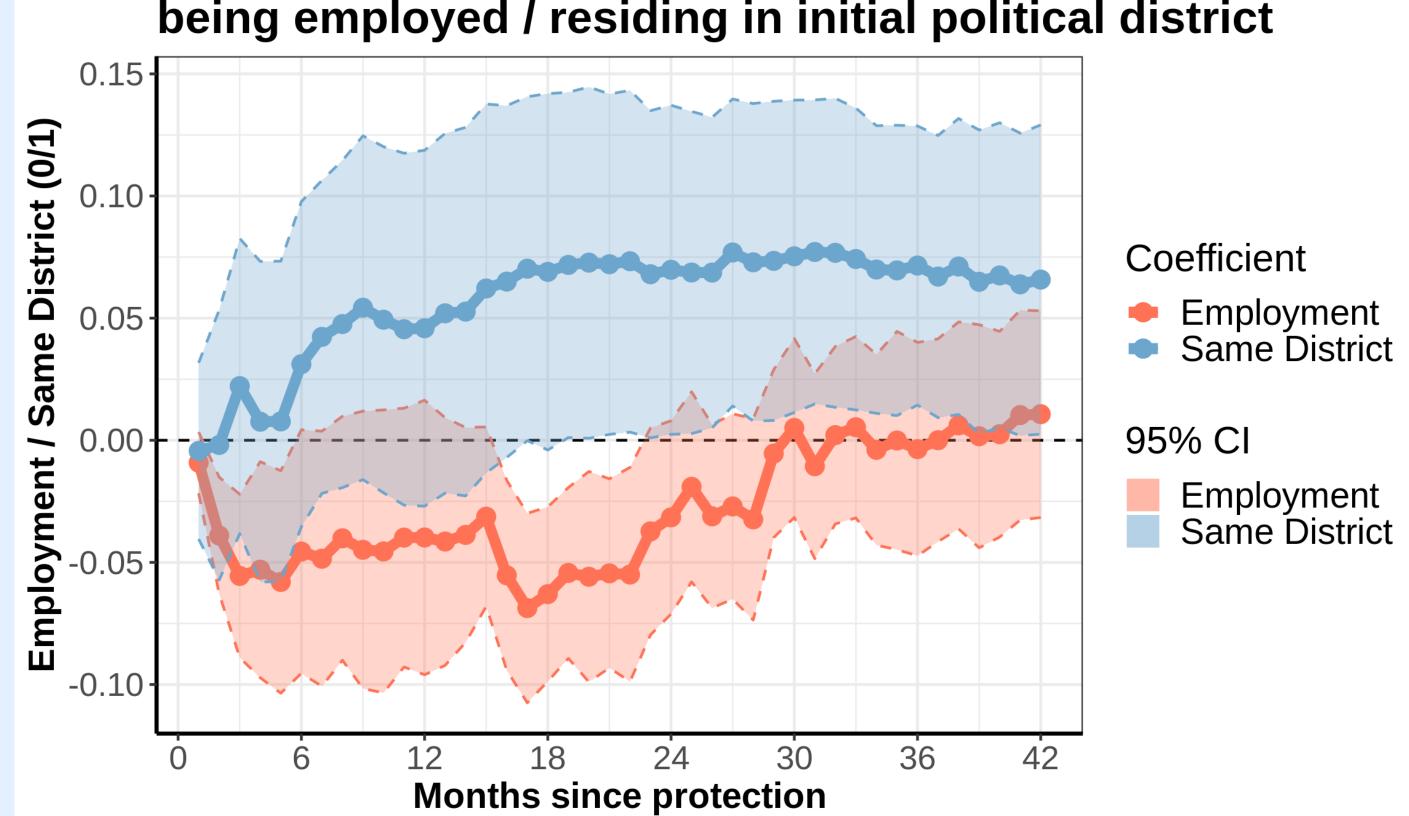### Econometric Specification

$$Y_{i,t} = \alpha_t + \beta_{1,t} \cdot VUR_{r,t_0} + \beta_{2,t} \cdot BEN_{i,r,t_0} + \gamma_{q_{t_0}} + \delta_g + \eta_r + X_i \Delta_t + \epsilon_{i,t}$$

$Y_{i,t}$ Outcome (employment, residency in initial district) for individual i, t months after receiving protection.

$\beta_{1,t}$ Coefficient for the initial VUR, t months after protection.

$\beta_{2,t}$ Coefficient for the initial BEN, t months after protection.

$\gamma_{q_{t_0}}$ Time of protection fixed effects (quarterly).

δ_g Arrival group fixed effects.

η_r Arrival district fixed effects.

X_i Time-invariant migrant-level controls for individual i.

Results

Effect of the initial VUR on the probability of being employed / residing in initial political district

Effect of the initial benefit level on the probability of being employed / residing in initial political district

1 A shift from the 25th to the 75th percentile (0.195) in the distribution of vacancy-unemployment-ratios implies a 4.6 pp. (40.5%) increase in employment probability after 12 months. The same shift increases the probability of remaining in the initial district by 3 pp. (5.3%)

2 A shift from the 25th to the 75th percentile in the distribution of potential benefit levels (equal to 465€) implies a 1.9 pp. (16.3%) decrease in employment probability after 12 months. It also implies a 2.1 pp. (3.8%) increase in the probability of remaining in the initial district.

3 Contrary to the majority of findings in the related literature, we find little persistence of the effects.

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