

INFLUX OF REFUGEES: INTEGRATION AS A KEY CHALLENGE

I. INFLUX OF REFUGEES – A SURVEY

II. FISCAL IMPACT

1. Short-term increase in spending is sustainable
2. Little impact on long-term sustainability

III. CHALLENGES OF INTEGRATION

1. Promoting and requiring education and training
2. Ways into the labour market
3. Restrictions on mobility and successful integration

IV. CONCLUSIONS: „FÖRDERN UND FORDERN“

References

This is a translated version of the original German-language chapter "Flüchtlingsmigration: Integration als zentrale Herausforderung", which is the sole authoritative text. Please cite the original German-language chapter if any reference is made to this text.

SUMMARY

Asylum-related immigration to Germany dominated the economic and socio-political debate from autumn 2015 until spring 2016. However, the number of new arrivals has **declined significantly in the meantime**. After over 500,000 registrations in the fourth quarter of 2015, a total of 270,000 additional asylum seekers came to Germany in the first three quarters of 2016. There are no signs of another trend reversal at present. In its analyses of the economic consequences of the influx of refugees, therefore, the German Council of Economic Experts is not expecting a renewed marked increase. There were 1.1 million registrations in 2015. Since this figure includes double registrations and people in transit, the actual number of asylum seekers is estimated at 890,000. 350,000 registrations are expected in the current year 2016 and a further decline in the following years.

Based on these assumptions, the **short-term increase in public spending remains sustainable**. Overall, the German Council of Economic Experts estimates direct expenditure caused by the increased influx of refugees at approximately €13 billion in 2016 and €10 billion in 2017 (0.4 % or 0.3 % of the gross domestic product respectively). An analysis of the **long-term sustainability of public finances** based on different scenarios shows that the influx of refugees is not likely to either ease or exacerbate to any appreciable extent the problem of the insufficient sustainability of public finances, caused primarily by demographic change and the related expenditure by the social security system.

The successful **integration** of recognised asylum applicants **into the labour market** is crucial to ensuring that they make a positive contribution to long-term growth, prosperity and public finances in Germany. Major challenges in this context include the comparatively low qualification levels of many asylum seekers and, in many cases, considerable linguistic and cultural barriers. This makes it all the more important to step up efforts to provide education and training, thus laying the foundation for integration into the labour market, even if it will take a few years until this can be achieved. At the same time, it is important to try to persuade immigrants to invest in their own economic futures and to provide the right incentives to this end – especially since the increase in the minimum wage and the reforms of temporary work and work contracts have further raised the barriers of entry into the labour market. These obstacles make integration into the labour market unnecessarily difficult.

Immigrants from the same region have always created networks at their place of destination in order to support each other in many different ways. In the coming years, economic policy in Germany is thus likely to face the problem of an **increased demand for housing** in some regions, which could be made worse by future internal migration by recognised asylum applicants. Restricting mobility by enforcing regulations on the place of residence can be justified as a temporary and strictly limited measure to protect municipalities from peaking numbers and to counteract excessive segregation. On the other hand, such action might worsen the prospects of labour-market integration.

I. INFLUX OF REFUGEES – A SURVEY

682. Asylum-related immigration to Europe dominated the economic-policy debate in 2015. This year, however, **considerably fewer people have immigrated to the European Union (EU) to seek asylum** due to greater difficulties of entry. Some member states and Western Balkan countries reacted to the increased migration by closing their borders. In addition, the agreement with Turkey and stricter asylum practices in relation to certain countries of origin have greatly reduced the scale of immigration.

The European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (Frontex) has so far registered few shifts in illegal border crossings to other migratory routes. [↘ CHART 89 TOP LEFT](#) Furthermore, only few Syrians have up to now been distributed to EU member states under the agreement with Turkey.

683. All this is having the effect that **significantly fewer additional asylum seekers** are now being registered **in Germany**. [↘ CHART 89 TOP RIGHT](#) There were a total of 1.1 million registrations last year, 500,000 of which were in the fourth quarter alone. Based on the number of multiple registrations and people in transit, the Federal Ministry of the Interior estimates that in fact only 890,000 asylum seekers came to Germany last year. There were only about 270,000 further registrations in the first three quarters of 2016, mostly in the first quarter. The analyses of the economic consequences of the influx of refugees to Germany discussed in this chapter take this trend reversal into account.

However, this assumption is by no means synonymous with a statement on the long-term, global significance of the phenomenon, which is not discussed further here. Rather, given the diverse political tensions and conflicts worldwide, it is in the rich economies' own interests to take on a considerable amount of responsibility. They should therefore bring their influence to bear in the countries concerned to ensure that poverty and oppression lose their importance as motives for migration in the future.

684. Perhaps the most significant obstacle to the administrative and economic-policy efforts to tackle the immigration experienced last year is its sheer scale. Due to **capacity bottlenecks**, most of the asylum seekers were only able to apply for asylum after several months, and many of these applications are currently still being processed. For example, by the end of September 2016 no decision had yet been taken by the responsible Federal Office for Migration and Refugees (BAMF) on 580,000 asylum applications.
685. Last year and in the first half of 2016, approximately **300,000 applications for asylum were accepted** (recognised asylum applicants). This corresponds to an overall protection rate of 56 %, which is high by historical comparison. A positive decision gives the applicant an unrestricted access to the labour market. However, the duration of the residence permit depends on the protection status:
- **Legal status as a refugee:** Recognised refugees under the Geneva Refugee Convention (section 3 of the Asylum Law [AsylG]) and persons entitled to

asylum pursuant to Germany's Basic Constitutional Law (Article 16a) initially receive a temporary residence permit for three years. 91 % of successful applicants were in this group in the period from January 2015 to June 2016. Persons are entitled to privileged family reunification for the spouse and minor children. If such request is made within three months after the entitlement to protection has been granted, a secure livelihood and sufficient living space are not required.

- **Granting of subsidiary protection:** Persons who are not granted refugee status, but are at risk of serious harm in their country of origin, can be granted this form of protection status under section 4 of the Asylum Law. The corresponding residence permit is initially limited to one year. With the government's Asylum Package II the entitlement to privileged family reunification has been suspended for this group for two years. During the period mentioned above, this protection status applied to 8 % of successful applications. There has been a marked increase here. In the third quarter of 2016, only subsidiary protection was granted in more than 55 % of successful applications.
- **Issuing a ban on deportation:** As a rule, people for whom the BAMF declares that deportation is prohibited pursuant to section 60 (5) or (7) of the German Residence Act [AufenthG] also receive a residence permit initially for one year. Between January 2015 and June 2016, this status was granted in 1 % of positive decisions.

The overall protection rate does not include the temporary suspension of deportation (**toleration**) by the Länder following an unsuccessful application for asylum. A total of about 150,000 people with such toleration status were living in Germany on 31 December 2015.

686. Surveys conducted by the BAMF document characteristics of the asylum applicants recognised between January 2015 and June 2016:

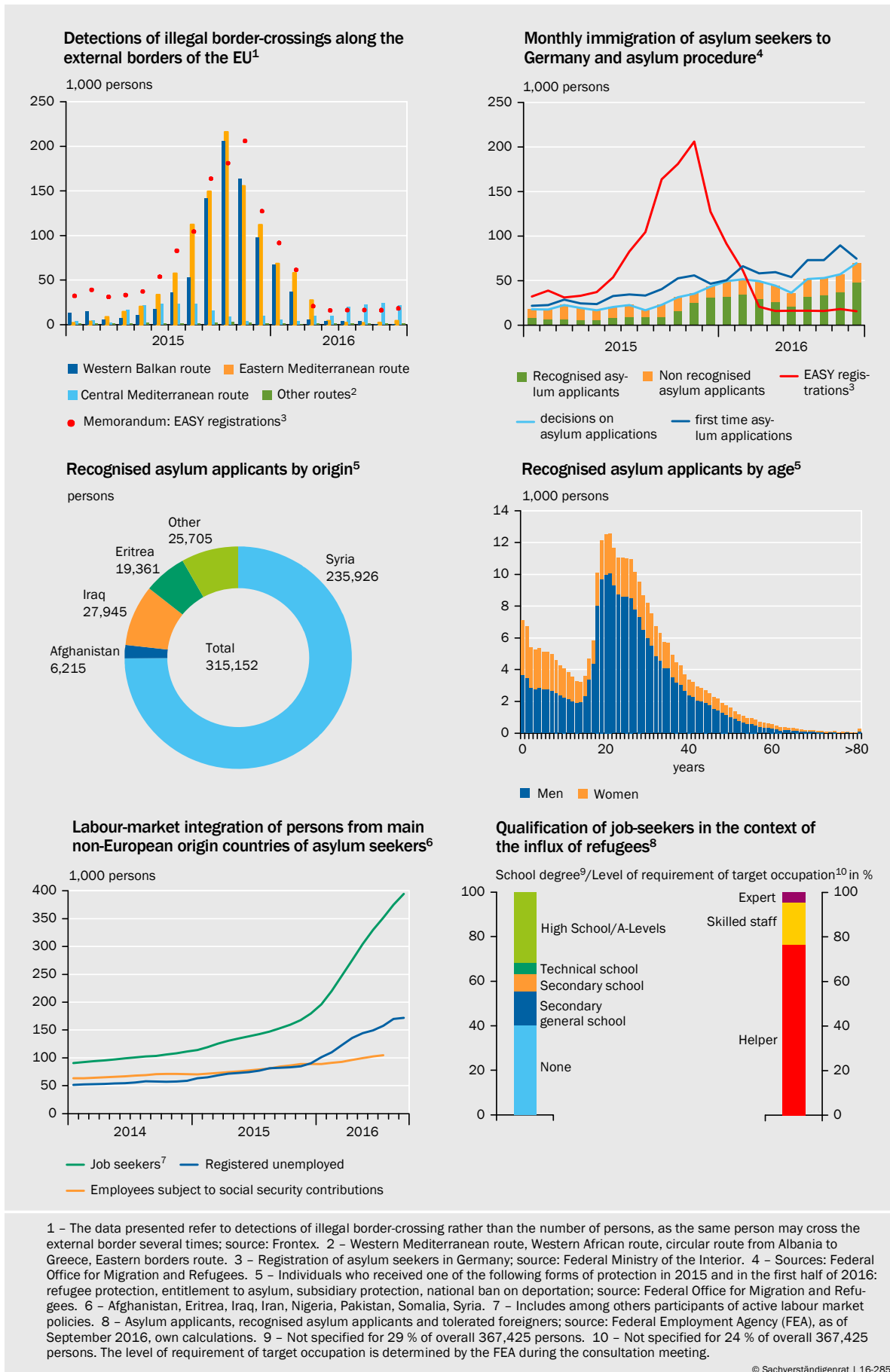
- **Origin:** About 75 % of recognised asylum applicants come from Syria. [↪ CHART 89, CENTRE LEFT](#) Although Syrians accounted for only 40 % of asylum applications, their recognition rate is high and their applications are processed more quickly on average.
- **Age and gender:** Almost 70 % of recognised asylum applicants are under 30 years old; approximately 70 % are male. [↪ CHART 89 CENTRE RIGHT](#)

687. The labour-market statistics register persons from selected main non-European origin countries of asylum-seekers as a group and thus document the integration of asylum applicants into the labour market: [↪ CHART 89 BOTTOM LEFT](#)

- **Job seeking and unemployment:** The number of unemployed people from these countries increased by 110,000 between December 2014 and September 2016. With 280,000 persons the number of job-seekers from these countries – including, among others, people taking part in labour-market policy measures in addition to the unemployed – has increased even more during this period.

↘ CHART 89

Influx of refugees: A survey



- **Employment:** The number of people in employment subject to social security contributions in this group rose slightly by about 35,000 people since December 2014 to almost 105,000 in July 2016. These figures reflect the fact that more people are being recognised and available to the labour market. However, there is frequently a delay before they find employment.

Since June 2016, the Federal Employment Agency has been publishing information on people seeking work in the context of the influx of refugees. These include asylum applicants, recognised asylum applicants and tolerated foreigners. Of the approximately 220,000 people who provided information on their **education** in September 2016, 38 % had no school-leaving certificate, and 32 % had a higher education entrance qualification. [↘ FIGURE 89 BOTTOM RIGHT](#)

688. However, a formal school-leaving certificate is only an imprecise indicator of a person's potential for successful labour-market integration. For one thing, **school standards** differ. Wößmann (2016) deduces from international student-comparison tests that 65 % of Syrian eighth-grade students (compared to 16 % of the equivalent German students) do not have the basic skills defined by the Organisation for Economic Cooperation and Development (OECD). For another, the extent to which the qualifications obtained in the countries of origin are transferable to the requirements of the German labour market is decisive for the success of integration (Bauer, 2015).

It should be borne in mind that **linguistic and cultural barriers** are likely to be greater among the most recent immigrants seeking protection than among previous immigrants (GCEE Annual Report 2015, item 519). This is reflected in the **level of requirements for the target occupation** laid down by the Federal Employment Agency at consultation meeting. Three quarters of the job seekers interviewed are designated for helper or semi-skilled jobs for which little or no formal vocational training is required. [↘ FIGURE 89 BOTTOM RIGHT](#)

II. FISCAL IMPACT

689. Building on its Annual Report 2015/16 (items 18 ff.), in its economic forecast for 2016 and 2017 in March 2016, the German Council of Economic Experts (GCEE), assessed the **direct public-sector expenditure** generated, for example, by costs for accommodation, board and integration measures up to 2017; it classified this spending as sustainable. These estimates of the **short-term effects** of the influx of refugees have been adjusted in the following to reflect reduced immigration figures in the future.

In addition, a **sustainability analysis** provides information on the expected additional net costs in the **long term**. Using different scenarios, the analysis shows that integration in the labour market is the decisive factor. It consistently shows that in all probability the influx of refugees in the past year and in the future will cause no significant, additional long-term fiscal burden. However, since this immigration only has a minor influence on demographic change, it is just as

unlikely to lead to a significant reduction in the sustainability problem of public finances.

1. Short-term increase in spending is sustainable

690. Like all simulation calculations, the results submitted here are largely driven by assumptions. The estimates are based on the following methodology and assumptions: [↘ TABLE 28](#)

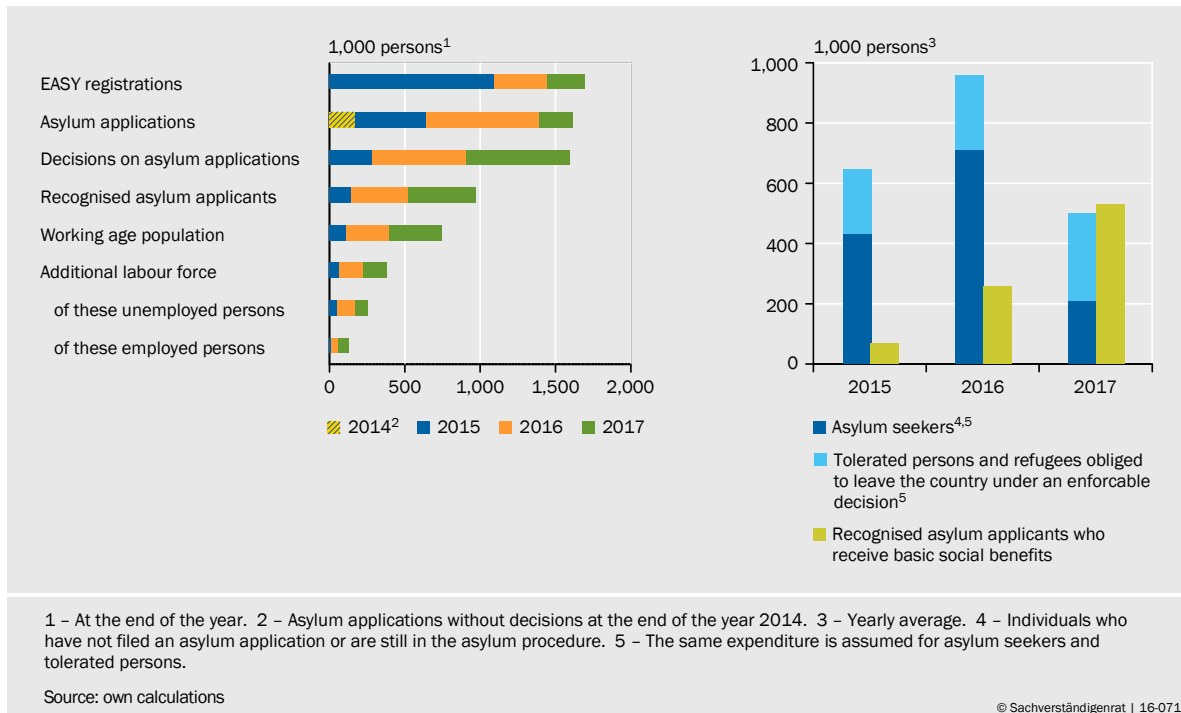
- **Registrations and recognitions:** First, the number of people currently passing through the asylum procedure and the number of newly recognised or rejected asylum applicants are estimated on a monthly basis. [↘ CHART 90 LEFT](#) Up to September of the current year, 270,000 asylum seekers were registered in Germany; the numbers have been declining markedly over time. At present, there is no appreciable sign of numbers increasing again. In its projections, the GCEE expects a total of 350,000 people in 2016. A further reduction to 250,000 asylum seekers is assumed for the coming year.
- **Labour-market integration:** In a second step, the number of recognised asylum applicants is linked to assumptions on rates of participation and unemployment. Based on how integration has proceeded in the past (Brücker et al., 2015), the GCEE assumes that approximately 220,000 more recognised asylum applicants will be available to the labour market by the end of this year compared to year-end 2014; 160,000 of them are likely to be registered unemployed and 60,000 working. [↘ CHART 90 LEFT](#) In 2017, unemployment is expected to continue to rise faster than employment. By the end of 2017, approximately 250,000 more recognised asylum applicants are likely to be registered unemployed and 130,000 more employed compared to the end of 2014.
- **Expenditure:** Subsequently, the numbers of people ascertained to be passing through the asylum procedure, and the number of newly recognised or rejected asylum applicants, are linked to expenditure per person. [↘ CHART 90 RIGHT](#)
[↘ TABLE 28](#)

691. On the assumption that asylum-related immigration does not start rising again, the **short-term increase in public spending will remain sustainable**. In a baseline scenario, the GCEE estimates overall direct expenditure as a result of the influx of refugees at approximately €12.8 billion in 2016 and €10.3 billion in 2017 (0.4 % and 0.3 % of nominal GDP respectively). These figures include expenditure relating to asylum applicants, people who have not yet been able to apply for asylum, and tolerated refugees. They also take into account additional expenditure for basic security benefits (Volume II of the German Social Code [SGB II]), the costs of integration measures for recognised asylum applicants, and higher administrative costs. [↘ TABLE 28](#)

The model does not include additional expenditure that might arise in the areas of education [↘ ITEMS 703 FF.](#), internal security or public investment. For higher immigration or a variation in the assumptions on the integration process, ex-

↳ CHART 90

Stages of labour-market integration and recipients of social benefits in the baseline scenario (2015-2017)



penditure will hardly increase in the short term. In past publications, the GCEE predicted higher costs, since immigration was expected to be higher (GCEE Annual Report 2015, item 28; GCEE Forecast Update 2016).

2. Little impact on long-term sustainability

692. There is a wide range of assessments on the long-term effects of high immigration figures. Statements that classify the influx of refugees as a worthwhile investment in the long term (Fratzcher and Junker, 2015) contrast with the idea that the fiscal dividend is likely to be negative (Moog and Raffelhüschen, 2016).

The GCEE has therefore conducted its own **sustainability analysis** in collaboration with Martin Werding of Ruhr-Universität Bochum (Aretz et al., 2016). This approach ascertains the possible permanent influence of asylum-related immigration on public finances. Various institutions in administration and science use similar models to evaluate the impact of demographic change on public finances and, if necessary, reveal the need for action in financial policy (Federal Ministry of Finance, 2016; European Commission, 2015; IMF, 2016).

693. This long-term analysis shows that the additional expenditure relating to the influx of refugees in the past year and in the future will have hardly any effect on the sustainability of public finances. Among the considered scenarios, the labour-market integration is the most crucial factor. The more quickly and more comprehensively it succeeds, the lower the long-term fiscal costs.

This result **is consistent in qualitative terms** with the results found by Bonin (2016), who is conducting a similar analysis using the concept of **generational accounting**. In his analysis, the time needed for integration varies in

different scenarios. The qualification of the refugees is one of the main drivers of the cost estimate here. Moog and Raffelhüschen (2016) use the same approach, but come to a much more pessimistic assessment. A direct **quantitative comparison** between these studies and the present analysis is not possible because the assumptions on the forward projection of government revenue and expenditure differ. ↘ [BOX 24](#)



Calculating sustainability gaps using the GCEE's procedure is, in principle, equivalent to generational accounting. However, different assumptions are made. In the **sustainability analysis** conducted by the GCEE, age-specific government expenditure as a function of demographic development is usually extrapolated about 50 to 60 years into the future. This expenditure includes those of pensions, health and nursing care, labour market, basic security benefits, education and family. All other expenses are extrapolated as constant percentages of GDP. As a result, spending on defence or public administration, for example, is assumed to increase at the same rate as income. Public revenues are also extrapolated as constant percentages of GDP. The idea behind this is to hold revenue policy constant over time and thus, by projecting government expenditure, to reveal the need for action. In **generational accounting**, by contrast, present-day revenue and expenditure are allocated to the individual age cohorts and subsequently extrapolated over a period of more than 100 years as a function of demographic development. This approach is based, for example, on the assumption that the costs of all public goods depend on the respective number of users. However, there is scope for discretion when it comes to allocation, for example in education expenditure, expenditure on administration, defence, infrastructure or indirect taxes. Certain items are not fully allocated and remain as government consumption. A final judgement on which of the two assumptions is more plausible is not possible.

694. Only the study by Fratzscher and Junker (2015) draws a much **more positive picture**. The published results have been criticised in particular because supply- and demand-side effects were taken into account twice (van Suntum and Schultewolter, 2016). Indeed, it transpires that when the figures used are treated correctly, the published results are qualitatively reversed, i.e. they lead to a negative fiscal balance.
695. The results of the sustainability analysis can be **compressed into different indicators**, for example into the development of the **debt ratio** of the general government over the projection period up to 2080. The analysis is geared towards revealing any need for action in the structuring of general-government revenue and expenditure as a result of current legal decisions and/or anticipated demographic developments. For this reason, it is not a long-term forecast of the debt ratio, but a projection in which alternative scenarios are considered.

Economic-policy measures, which political decision-makers would have to take sooner or later to counteract such a development in reality, are deliberately not included in the calculation: after all, **assessing the necessary scale** of these measures is precisely one of the aims of the analysis. Even more important is **how sensitive the scale is** to individual assumptions about immigration and integration, or to changes in current economic-policy decisions. This can provide important clues for economic-policy action.

696. The need for action related to this hypothetical development can be described more vividly with the **sustainability gap**. It indicates by which proportion of the GDP the general government would have to consolidate permanently per annum, compared to the status quo – by either increasing revenue or cutting expenditure – in order to comply with the government's budget constraint in the long term. This could only succeed if the primary balances were large enough in the long term to repay the government debt. Changes in the posted sustainability gap also show which current economic-policy decisions are more (or less) suitable for reducing the long-term problem of sustainability.
697. The model includes **expenditure** relating to asylum seekers, estimated by the GCEE, incurred before and during the procedure. A **gradual labour-market integration** of recognised asylum applicants has also been taken into consideration. The starting point for the analysis is a **baseline scenario** that takes the current influx of refugees into account and extrapolates it into the future. The assumptions are summarised in [▷ BOX 24](#). Further details on the modelling and the assumptions can be found in past publications of the GCEE (most recently in the GCEE Annual Report 2014; GCEE, 2011), and in the working paper on the present analysis (Aretz et al., 2016).

▷ BOX 24

Methodology and assumptions on the sustainability analysis relating to the influx of refugees

In the sustainability analysis presented here, the development of the **GDP** follows a simple neoclassical growth model supplemented by the human-capital factor. Those **items of the primary balance** – i.e. net lending/net borrowing excluding interest expenditure – that are unaffected by the demographic structure are adjusted for cyclical effects in the analysis and extrapolated as constant percentages of GDP. The assumption behind this is that public spending and revenue ratios are likely to remain approximately constant if political preferences remain constant.

Development paths of age-specific expenditure are calculated using assumptions on birth and death rates according to an **extrapolation of the demographic structure**. As a result, when the population is ageing, expenditure on pensions, for example, rises as a percentage of the GDP. **Interest expenditure** is estimated assuming a refinancing interest rate on the basis of the extrapolated development of the debt ratio. The real interest rate on long-term government debt is – based on currently lower actual data after a short adjustment period up to 2020 – determined in a simplified way by adding a constant surcharge of 1.5 percentage points to the growth rate of labour productivity. The inflation rate required for the determination of the nominal interest rate is set at 2.0 % per annum. However, the interest rate does not play an important role in relation to the sensitivities analysed here. Particularly in the case of the sustainability gap, a positive effect on interest expenditure is practically cancelled out by a negative effect caused by the higher discounting of future net lending/net borrowing (Aretz et al., 2016).

In relation to the influx of refugees, the baseline scenario assumes that the immigration figures will decline to 2013 levels by 2021. An **increased level of immigration** is thus modelled over a period of seven years. It is assumed that all recognised asylum applicants will remain in the country permanently. The figures of the first variant of the 13th coordinated population projection are used for all other migration. However, these figures are adjusted by the number of asylum seekers they contain, since their number is estimated separately in the course of the GCEE' monthly modelling.

TABLE 28

Assumptions regarding the influx of refugees

Migration (Z)	Baseline scenario	Sensitivity analyses
Number of registered asylum seekers in 2016	350,000	
Number of registered asylum seekers per year, 2017 - 2020	250,000	Z1: 500,000
Number of registered asylum seekers per year, 2021 - 2025 ¹	as in 2013	Z3: 250,000
Asylum applicants from March 2016 ²	90 %	
Protection rate, 2016 - 2020 ^{1,3}	60 %	Z4: 80 %
Women's share	30 %	Z2: 50 %
Increase of capacity limits for both applications and decisions by monthly ⁴	3 %	
Months until deportation of denied asylum applicants	4	
Additional months until deportation for tolerated refugees for 5 % of the denied asylum applicants ⁵	20	
Fertility rate of recognised asylum applicants (rest of population: 1.4)	1.8	
Expenditure (K)		
Monthly per-capita expenditure during asylum procedure including lump sum for administration expenditure ⁶	900 Euro	K1: 1,400 Euro
Yearly per-capita integration expenditure in the first year after recognition ⁷	2,000 Euro	
Yearly per-capita integration expenditure in the second year after recognition ⁷	1,000 Euro	
Average per-capita expenditure for deportation	500 Euro	
Monthly per-capita expenditure in 2016 ⁸ for recipients of benefits of SGB II	550 Euro	K2: +5 %
Labour market (A)		
Difference of the participation rate (unemployment rate) compared to baseline scenario	–	A1: -10 % (+10 %)
Process of integration	concave	A2: linear
Adjustment period of participation rate and unemployment rate to the average ⁹	13 years	A3: 25 years
Qualification: Factor in lowest level, umpteen times the domestic population ¹⁰	3	
Qualification: Factor in highest level, umpteen times the domestic population ¹⁰	0.5	
Qualification and participation rates of successive generations	as other migrants	

1 – From 2026 onwards: same figures as in 2013. 2 – The corrected fraction mirrors the discount due to return journeys or people in transit. Between January 2015 and February 2016: 80 %. 3 – Corresponding to the point in time of arrival. For 2014 and 2015, the protection rate was estimated as well. It increases by assumption up to the shown value. For scenario Z3 higher protection rate until 2025. 4 – From September 2016 onwards. The processing capacity for asylum application/decision arises from the average number of applications/decisions of the three preceding months. This threshold increases monthly by the percentage shown above until a processing capacity amounting to 85 000 applications per month is achieved. The minimum duration of the asylum process is two months. 5 – 0.1 % of the persons that were tolerated in 2015 leave the country every month. The results of the analysis are not very sensitive to the tolerance period. 6 – For the period of tolerance, the monthly expenditure is the same as during the asylum process. Tolerated persons do not participate at the labour market. 7 – For qualification measures etc. 8 – The average expenditure is extrapolated according to a mixed index consisting of the growth rate of labour productivity (70 %) and the inflation rate (30 %). 9 – Average unemployment rate and average gender-specific participation rate for foreigners in Germany in 2014. 10 – There are five qualification tiers in the model. By assumption, among the recognised asylum applicants a lower fraction is in the highest tier and a higher fraction is in the lowest tier. In order to end with this outcome, the respective fractions of people already living in Germany are multiplied with the factors shown above leading to about 60 % in the lowest and 10 % in the highest tier (Wößmann, 2016).

© Sachverständigenrat | 16-290

Expenditure relating to asylum applicants is primarily relevant in the short term. The long-term **fiscal effect** of refugee immigration depends on further assumptions: TABLE 28

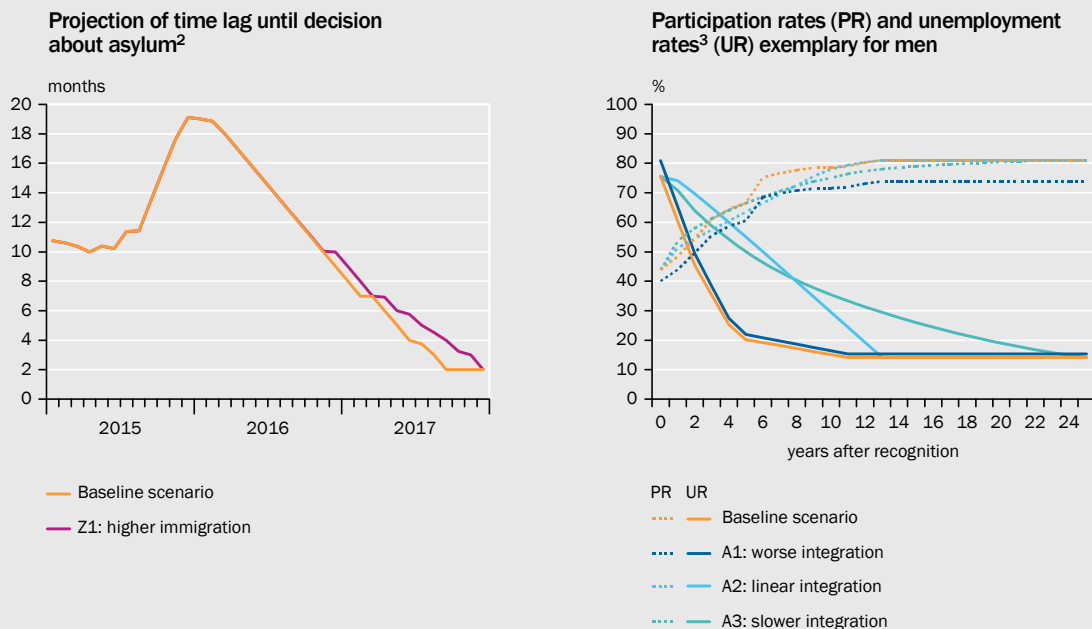
- **Recognised asylum applicants:** The first step is to determine how many of the recognised asylum applicants are additionally available to the labour market per annum. To this purpose, the GCEE uses a model for estimating the average time required until recognition; this depends on

the number of immigrants per month and the processing capacity of the BAMF. Limited capacity in the course of 2015 led to a considerable **processing backlog**. As a result, asylum seekers who arrived before spring 2016 have to reckon with an average procedure duration of up to 19 months depending on the scenario. [↪ CHART 91 LEFT](#) Furthermore, the number of additional people who are available to the labour market depends on the protection rate, i.e. the percentage of asylum procedures with successful applications.

- **Speed of labour-market integration:** The baseline scenario assumes a rise in the labour-force participation rates and a fall in unemployment rates after the recognition of asylum applicants. The development of these variables over time is in line with the experience of previous influxes of refugees, although the current countries of origin differ from previous ones (Brücker et al., 2015). According to this, the rates initially change very quickly, but the 'speed of integration' declines over time. After 13 years, the average gender-specific labour-force participation rate and unemployment rate are assumed to be equivalent to those recorded for foreigners in Germany in 2014. [↪ CHART 91 RIGHT](#)

[↪ CHART 91](#)

Assumptions on length of asylum process and labour-market integration of recognised asylum applicants¹



1 – For details on assumptions see Table 28. 2 – Average time lag for people arriving in the respective month. The total time is the sum of the time between arrival and application for asylum and the time between application for asylum and decision about asylum. 3 – The UR of foreigners was 14 % in 2014 according to the Federal Employment Agency, the gender-specific PR of foreign men (women) between 15 and 65 years was 81 % (58 %) according to the German microcensus. The age group-specific URs are censored at 99 %, the age group-specific PR at 95%. As asylum seekers already partly participate at the labour market during the asylum process, the PR is assumed to be higher for 2016 amounting to 55 %, with a corresponding lower increase of the PR in the following years.

Sources: Aretz et al. (2016), Brücker et al. (2015)

- **Unemployment and population structure:** Recognised asylum applicants who are unable to provide for their own needs and are entitled to benefits receive SGB II **benefits**. This means that assumptions on their average costs also have a fiscal impact. Furthermore, the **percentage of women** among the recognised asylum applicants influences the debt projection, since the rate of labour-market participation among women from the main origin countries of asylum-seekers is in general considerably lower than that of men. The **assumptions on age and gender structure** are based on BAMF data on asylum seekers who were recognised in 2015 and in the first half of 2016.

In this model, the **level of qualification** only impacts on the level of the respective income in the event of labour-market participation. Mathematically, it is of minor importance, because it is assumed that public expenditure and revenue rise as (average) incomes rise, and that the percentages of the GDP therefore remain almost unchanged. By contrast, a link between the level of qualification and rates of labour-market participation and unemployment is not taken into account in this simple model. However, the effect of these ratios on the debt projection can ultimately be interpreted as a qualification effect when the model is transferred to reality: the better the qualifications of recognised asylum applicants, the lower the rate of unemployment is likely to be. Therefore, the smaller sustainability gap that emerges in the present analysis in scenarios with lower unemployment rates can certainly be interpreted as an effect of better – or better-matching – qualifications on the part of recognised asylum applicants.

698. In the first step, the results of the baseline scenario are compared with a reference scenario in which the influx of refugees remains constant as from 2013. In this case, **the additional immigration leads to hardly any differences:**

↘ CHART 92 LEFT

- The **sustainability gap** amounts to 4.2 % of GDP for the baseline scenario in 2080, and to 4.1 % for the reference scenario. This means that the influx of refugees leads to a budget balance that is permanently 0.1 percentage points higher in order to be able to repay all public debt in the long term. This effect is comparable, for example, to that of the 2014 pension package ('Rentepaket 2014'), which also led to an increase in the sustainability gap of 0.1 percentage points (Werdning, 2016). If the projection of government revenue and expenditure is only carried out up to 2060, so that the effects of demographic change after 2060 are disregarded, the sustainability gap amounts to 3.6 % in both the baseline and reference scenario.
- The course of the **debt projection** is almost identical and results in a hypothetical debt ratio of just under 500 % in relation to the GDP in 2080. As already pointed out, this number should not be interpreted as a prediction; rather, it vividly shows the need for action to ensure the resilience of social security systems (GCEE, 2011, items 252 ff.; GCEE Annual Report 2014, items 578 ff.; Werdning, 2011; 2014; 2016; ↘ ITEM 593). Compared to the reference scenario without the influx of refugees, the debt ratio is 4.1 percentage points, or 0.8 %, higher at the end of the observation period. In absolute figures, the debt projection in the baseline scenario is nominally €1.9 trillion higher. At a discount rate of 4 %, this corresponds to an additional burden of approximately €156 billion in 2016 or, distributed over 64 years, €2.4 billion per annum. This amounts to approximately €30 per inhabitant per year.

699. If the percentage deviation of the **debt ratio is compared** to the reference scenario without the influx of refugees, the picture changes over time. It can be divided roughly into three phases:

- **First phase:** Initially, the debt projection is higher in the baseline scenario with the influx of refugees. This is due on the one hand to expenditure relating to asylum seekers passing through the application procedure; on the oth-

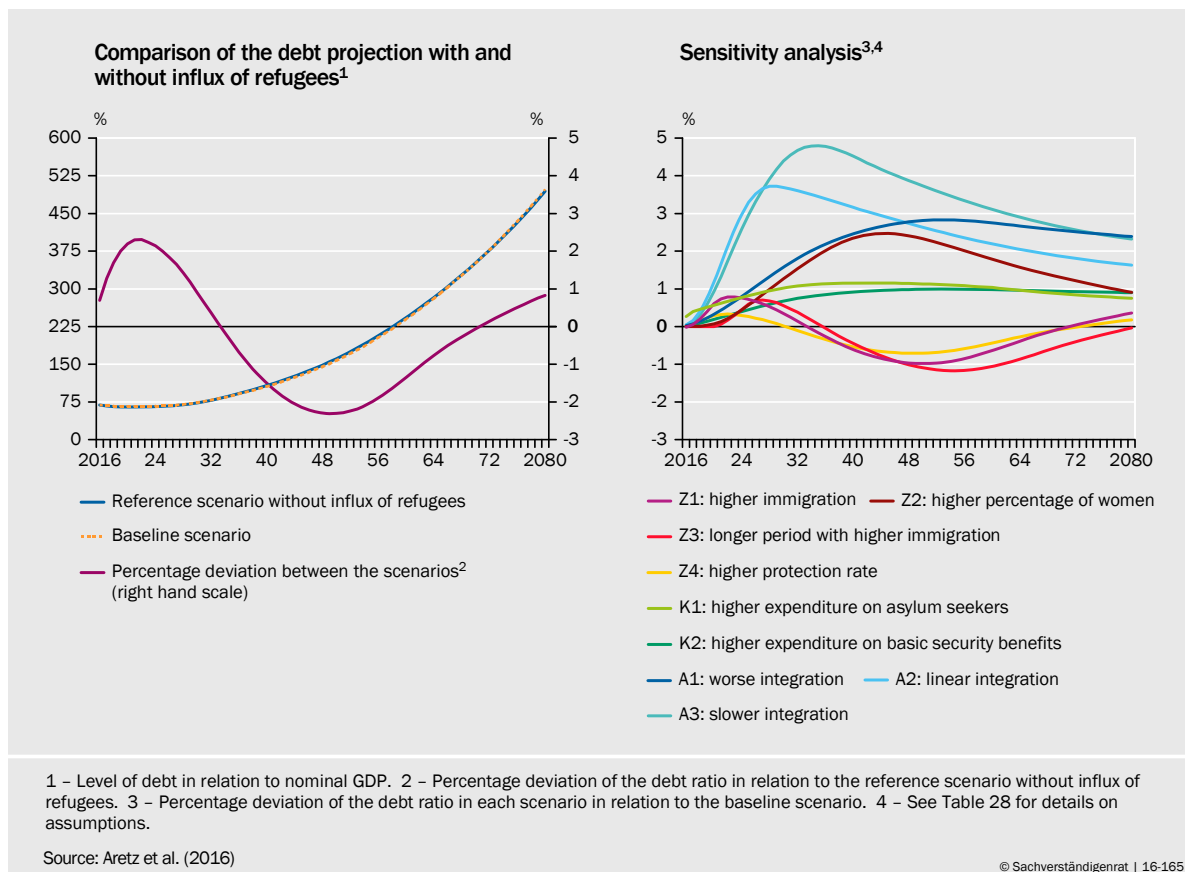
er hand, it is assumed that most recognised asylum applicants will initially not find work and therefore receive transfer payments.

- **Second phase:** The picture changes after a time. Immigration and related expenditure on asylum applicants decline, the labour-market integration of recognised asylum applicants continues. This means that additional people pay taxes and social security contributions, thus contributing to the financing of public expenditure. At the same time, because of the age structure, only a small number of recognised asylum applicants receive pensions from statutory pension insurance (GRV). The basic scenario therefore shows a lower debt ratio in this phase.
- **Third phase:** As soon as a larger proportion of the former asylum applicants enter the pension phase, the picture changes again. Now the negative effect of the non-sustainable GRV system outweighs the positive effects. Today's rise in the population has a negative effect on the old-age dependency ratio at the end of the observation period, so the GRV generates higher deficits than in a situation without increased immigration.

700. The next step is to investigate the extent to which the underlying assumptions on the influx of refugees influence the debt projection and sustainability gaps (Aretz et al., 2016). It transpires that even different assumptions that have a negative impact on the debt projection do not fundamentally change the result, due to the **low levels of sensitivity**. [▶ TABLE 29](#) [▶ CHART 92 RIGHT](#)

▶ CHART 92

Result of the sustainability analysis relating to the influx of refugees



- **Immigration figures:** Higher immigration (Z1), a higher percentage of women (Z2), a longer period with higher immigration (Z3) or a higher protection rate (Z4) increase the long-term debt ratio by less than 1 % compared to the baseline scenario. The sustainability gap remains almost unchanged. The reasons are, on the one hand, the contrary effects described above [▶ ITEM 699](#); on the other, the number of recognised asylum applicants is low compared to the total population.
- **Costs:** Changes in the assumptions on costs, e.g. higher expenditure on asylum seekers (K1) or on basic security benefits (K2), lead to similarly small differences. This, in turn, is because recognised asylum applicants make up a relatively small proportion of the total population. If the protection rate (i.e. the number of recognised asylum applicants) or total immigration is higher, the temporarily positive effect actually increases, because more people are then available to the labour market.
- **Labour-market integration:** In the medium term, much more pessimistic assumptions on labour-market integration would have slightly greater effects. If 10 % lower labour-force participation rates and 10 % higher unemployment rates among the recognised asylum applicants are assumed in each year of the projection (A1), the debt projection rises successively by up to 11.9 percentage points, or 2.4 % in 2080, compared to the baseline scenario. The primary reason for this is lower economic growth due to lower employment figures. Transfer payments also increase. If integration is varied, starting from the baseline scenario, in such a way that the ratios approach their long-term equilibrium in a linear fashion (A2), i.e. first more slowly and later faster than in the baseline scenario, the result is a 1.6 % higher debt projection in 2080 compared to the baseline scenario.

If it is assumed that the integration of recognised asylum applicants develops according to a concave curve as suggested by Brücker et al. (2015), but that it takes 25 instead of 13 years before long-term equilibrium is reached (A3), then the debt projection up to 2080 increases to a similar extent as in the scenario with higher unemployment and lower labour-force participation rates (A1). The increase in the debt projection is higher than in the baseline

[▶ TABLE 29](#)

Comparison of the sustainability gap with the baseline scenario

Scenario	Change of the sustainability gap: Projection horizon up to year ... in percentage points	
	2060	2080
Z1: higher immigration	0.01	0.03
Z2: higher percentage of women	0.04	0.03
Z3: higher protection rate	- 0.02	0.03
Z4: longer period with higher immigration	0.00	0.02
K1: higher expenditure on asylum seekers	0.03	0.02
K2: higher expenditure on basic security benefits	0.03	0.03
A1: worse integration	0.09	0.09
A2: linear integration	0.05	0.05
A3: slower integration	0.07	0.07

© Sachverständigenrat | 16-251

scenario at the beginning because of the higher costs generated by the initially slower integration. In the long term, it converges with the scenario with higher unemployment and lower labour-force participation rates.

701. Overall, under the assumptions made, the increased influx of refugees is unlikely to significantly reduce, let alone solve, the **sustainability problem**, particularly for social security systems. Rather, there will be a **long-term additional fiscal burden**, although this is unlikely to be particularly large. The sustainability of public finances will not deteriorate in the long term if labour-market integration is successful. In the medium term, the pressure on public finances could even be slightly lower. However, a poorer development of labour-market integration already leads to a higher burden in the medium term.

Therefore, from the fiscal point of view, a long-term, large-scale **integration effort** is not only justified but **necessary**. This becomes clearer if we consider the fact that high unemployment, particularly among young people, allows existing potential to go to waste and prevents new potential from being developed. Should labour-market integration turn out to be permanently poor, therefore, further societal costs must be expected which cannot be measured in an analysis of the fiscal costs.

III. CHALLENGES OF INTEGRATION

702. The integration of recognised asylum applicants into society and the labour market is a major challenge. This year, the Federal Government reacted to the high influx of refugees by passing the **Integration Law** [↪ BOX 25](#) and other measures. This section assesses these measures on a forward-looking basis and identifies further need for action – where already apparent – in the fields of the housing market, education policy and labour-market policy. Furthermore, political decision-makers and administrations are called upon to make major efforts to collect and publish data for the scientific evaluation of the integration measures. Only in this way effective measures can be identified (GCEE Annual Report 2013, Box 16).

[↪ BOX 25](#)

Encourage and challenge – the Integration Law at a glance

In May 2016, the Federal Government adopted an **Integration Law**, which was passed by the Bundestag (German Parliament) on 7 July. The law focuses on the integration of refugees into the training and labour market, as well as on language acquisition. In addition, bureaucratic hurdles are to be eliminated.

Labour-market integration is supported by four measures. First, **vocational training is to be promoted** by abolishing the age limit for beginning a training course or apprenticeship. Second, **legal security** is to be created in terms of the **residence status of trainees and apprentices**. Trainees will be granted a secure residence status, which will be extended by two years when the person qualifies and begins training-related employment. Third, the refugee-integration measures will contribute towards **low-**

threshold access to the labour market. The aim is to create 100,000 job opportunities. Fourth, the **priority review** – i.e. primarily an obligation to check whether another suitable applicant from Germany or the European Union is available – is to be suspended in most regions for three years. This will also make temporary and agency work possible.

In addition, the availability of **integration and language courses** is to be **expanded**. More specifically, integration courses will be extended from 60 to 100 teaching units, and greater emphasis will be placed on conveying values. Furthermore, waiting times for integration courses are to be shortened from three months to six weeks. Course providers will be obliged to offer more transparency by publishing vacant course places.

Integration into society is to be encouraged by the option of **temporarily allocating recognised asylum applicants to a specific place of residence**. Under this rule, recognised asylum applicants must remain for the first three years in the federal state to which they were assigned on arrival. The federal states are responsible for assigning a place of residence and for the geographical distribution of recognised asylum applicants. Furthermore, refugees can be banned from living in certain areas (**Zuzugssperre**). There are exceptions for recognised asylum applicants who are in training or employment subject to social insurance contributions for at least 15 hours a week, and whose income currently exceeds €712 per month. In addition, there is an **obligation to participate in integration measures, as well as integration or language courses, when offered**. An asylum seeker's benefits can be reduced if s/he refuses to take part.

The Integration Law demands that recognised asylum applicants who seek a **settlement permit** must integrate into German society. If they have a command of the German language (language level C1) and earn their living independently, a permanent residence permit can already be issued after three years. A settlement permit can also be issued after five years if they can prove at least level-A2 knowledge of German and can at least partially earn their living.

1. Promoting and requiring education and training

703. The success of integration depends on what usable human capital immigrants bring with them, and what additional knowledge and skills they acquire at their destination. The focus is initially on the language because it is difficult to follow vocational and specialist training without the corresponding language skills. There is, therefore, no doubt that **considerable investment in education and training** must lay the foundation for raising refugees' productive capacity and integrating them into the labour market and into society.

Accordingly, the Federal Government should give **high priority** to promoting immigrants' efforts to acquire education and qualifications, and must not be deterred if these efforts only develop their full effect after a few years. Such promotion will be all the more effective, the better it dovetails with existing services offered by companies, social partners and civil initiatives. Last but not least, great efforts are likely to be needed to convince young immigrants that investing in education and qualifications pays off in the long term, despite the associated opportunity costs in the form of lost wages.

704. The **availability and quality of language and integration courses**, combined with the incentives of the Integration Law, lay the foundation for this. For asylum seekers with good prospects of acceptance, a mandatory language and

integration course is already important during the asylum procedure. This applies especially bearing in mind how long procedures take and the fact that the asylum seekers do not usually speak German when they arrive in the country. As stated in the Integration Law, the use of educational opportunities should be both promoted and required (Expert Council of German Foundations on Integration and Migration, 2016a). The number of programmes to assess the knowledge and skills of asylum seekers at an early stage has already been increased (Martin et al., 2016).

705. Vocational training in Germany opens up access to many areas of the labour market. This is often different in the asylum seekers' countries of origin. In order to give recognised asylum applicants opportunities that are in line with their qualifications and potential, entrance examinations and training courses offering partial qualifications should be utilised:

- **Eligibility requirements:** Evidence of formal qualifications should be regarded as secondary when judging eligibility for further educational and training opportunities. Rather, suitable entrance examinations should be utilised in Germany. First, educational standards differ. [▶ ITEM 688](#) Second, it is impossible for many asylum applicants to furnish the necessary evidence. In addition, the recognition of foreign qualifications is rather slow: approximately 15,000 procedures were completed in 2014 (Authoring Group Educational Reporting, 2016).
- **Training courses offering partial qualifications:** Training courses offering partial qualifications can provide incentives to seek further training. The system of vocational training already includes a vocational transition system with training courses that do not lead to a recognised qualification, but can be credited as the first year towards a subsequent vocational training course (Beicht, 2009; Authoring Group Educational Reporting, 2016).

706. 27 % of asylum applicants recognised between January 2015 and June 2016 were minors. Great importance should therefore also be attached to **early-childhood and school education**. The sooner education begins, the more promising are the employment prospects in the long term (Cunha and Heckman, 2007; Pfeiffer, 2016). Investing in early-childhood education is important, especially for children from a socially disadvantaged environment and for children with a migration background (Ruhm and Waldfogel, 2011; OECD, 2016a; Schneeweis, 2011).

707. These extended offers of education and training will result in corresponding expenditure by the public sector. Some studies expect very high **financial requirements** in the **education system** of between €2.2 billion and €3.2 billion per annum – just for the integration of the asylum seekers who immigrated in 2015. The need for additional staff accounts for a large proportion of this (Klemm, 2016; Bildungsbericht, 2016).

By comparison, based on the assumptions of its baseline scenario, the GCEE estimates a markedly lower financial requirement for additional teachers and early childhood educators. To this end, the personnel requirement for children and

adolescents aged between 3 and 21 years was determined on the basis of the age structure of recently recognised asylum applicants and average pupil-teacher ratios. ↘ CHART 93 Disregarding the otherwise declining pupil numbers and assuming a pupil-teacher ratio of 8 in early-childhood education and 15 in schools, there would then be an additional overall annual average financial requirement of €1.4 billion for the period from 2015 to 2020. Kindergartens would account for €350 million of this amount.

These calculations should give a good point of reference for the actual financial requirements. Although the number of pupils has declined since years, the expenses per pupil have increased. While the number of pupils in public schools of general education decreased by around 7 % between 2008 and 2013, the expenses per pupil went up 17 % in real terms during the same period. This inverse relationship holds for public elementary, main and middle schools as well as for grammar and vocational schools. Possible reasons are an increased supervision effort through the implementation of inclusion, changes in the school structures, for example through the expansion of full-day care, and smaller class sizes.

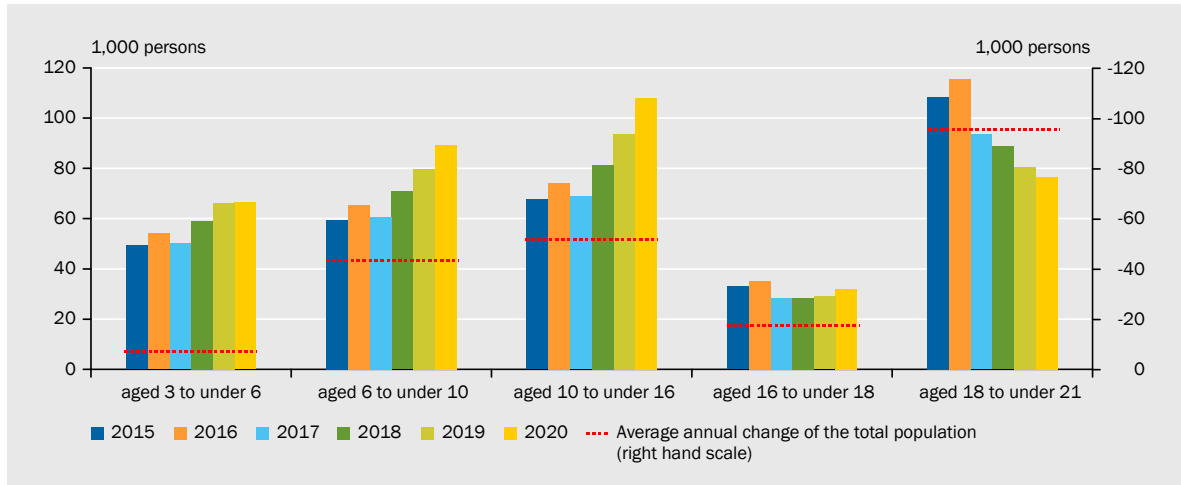


Between 2008 and 2013, i.e. before the increase in immigration, the number of children and adolescents in the individual age groups fell by an average of 7,000 to 96,000 per annum. ↘ CHART 93 Overall, the number of children and adolescents between the ages of 3 and 21 declined by over a million during this period. As a result of the influx of refugees, the number of children and adolescents probably increased by about 315,000 in 2015. However, the demographically induced decline and the immigration-induced increase do not impact on the individual age groups in the same ways. In the 18-21 age group, the increase almost corresponds to the average annual decrease in the previous period; the number of children of kindergarten age fell less rapidly in the same period. Furthermore, these two contrary effects can also vary considerably from region to region.

- 708. Teaching in a regular school class and continuous linguistic exchange with local children are congenial to accelerating linguistic and cultural integration (Aktionsrat Bildung, 2016). **Transitional classes** for refugee children are therefore only useful as a temporary measure if it is impossible to avoid a very large number of children in need of integration entering individual schools. Classes with a high proportion of foreign children can make integration more difficult and have negative effects on academic performance (De Paola and Brunello 2016; Borgna and Contini, 2014; Wößmann, 2016).
- 709. Many asylum applicants enter the German education system late. Exceptions should therefore ensure that **age limits**, e.g. for attending school, do not restrict educational opportunities. The **obligation to attend a vocational school** could be extended in all federal states to the age of 21 for people who are neither formally qualified for a profession nor have a job. This could offer an opportunity for an appropriate training-oriented qualification.

↳ CHART 93

Asylum seeking children and adolescents in the baseline scenario¹



1 – The age structure corresponds to the age structure of those asylum applicants who have been recognized between January 2015 and June 2016. For the estimation of the personnel requirement it is assumed that all children aged between 6 and 18 years who are in the asylum procedure or had been recognized or tolerated attend school. For the children in the 3-6 age group a care ratio of 85 % is assumed which corresponds to those of children with migratory background. For the 18-21 age group it is assumed that 50 % attend school. In early-childhood education a pupil-teacher ratio of 8 is presumed, in schools a pupil-teacher ratio of 15. For the teachers annually 70,000 euro per full-time equivalent are assumed, for the early childhood educators 55,000 euro.

Source: own calculations

© Sachverständigenrat | 16-405

2. Ways into the labour market

- 710. Historical experience** only provides limited lessons on the labour-market integration of newly recognised asylum applicants. For one thing, different groups of people are involved; for another, the economic circumstances and political objectives have changed compared to previous periods of high immigration. For example, labour-market integration was successful for about three quarters of ethnic German repatriates from the former Eastern Bloc in the first three years after arriving in Germany. Labour-market integration was more successful for repatriates in areas with a better starting position on the labour market (Haug and Sauer, 2007). However, many of these immigrants were already more familiar with the German language and culture than is likely to be the case for present-day immigrants.
- 711.** Calculations of the GCEE based on the German microcensus for 2015 suggest that the labour market outcomes of migrants approach those of natives only slowly over time. Adjusted by age effects, the younger **second generation of migrants** achieves better labour market outcomes than persons with own migration experience. Especially women of the second generation of migrants have a higher participation rate and lower unemployment rate than their parent generation. Compared to the native population, however, especially women still face distinctly lower participation rates and higher unemployment rates.
- 712.** Asylum seekers in Germany take up employment later than other immigrants (Brücker et al., 2015; Salikutluk et al., 2016). Recognised asylum applicants take up to 20 years to reach the level of employment of German nationals (European Commission and OECD, 2016). **Major integration efforts** are needed to speed up the successful labour-market integration of recognised asylum appli-

cants. In the last few years, the structures and integration policy have already improved through, for example, early competence assessment and reforms in the fields of language courses and labour-market access (OECD, 2016b). As a result, Germany is probably better prepared for the integration of refugees than it was in the past (Liebig, 2016).

713. The aim should be the **sustainable integration** of recognised asylum applicants into the labour market. Starting work quickly must be weighed up against seeking a more thorough training, which initially reduces earning opportunities. Basic language skills are the decisive factor for labour-market integration and participation in the life of a society (European Commission and OECD, 2016; Liebau and Schacht, 2016). It is also important to make the best possible use of the entire spectrum of integration policy options. A good integration policy is not limited to active measures, but should also ensure rapid and reliable asylum procedures, low barriers to integration before and after asylum procedures, and a functioning labour market in general (Bauer, 2015).
714. Having clarity on their residence status is important for asylum seekers and potential employers. For this reason, the **improvement in legal security** created by the Integration Law for both during and after successful vocational training is to be welcomed in principle. For example, vocational training can now already commence during a delayed asylum procedure. However, this rule will also apply to tolerated persons. A critical view must be taken of this because it blurs the boundaries between economic migration and refugee migration.
715. Giving people clarity on their residence status can strengthen incentives for integration and training. It therefore makes sense, as stipulated in the Integration Law, to link issuing a settlement permit to proven efforts to integrate, and to already issue a **permanent settlement permit** after three years in cases where integration is particularly successful. ↘ [BOX 25](#) However, this could be linked not only to language skills and simply earning one's living, but also to a recognised vocational qualification to be attained in this period. This would create incentives for vocational training. For people obliged to leave the country, the deportation process should be further accelerated.
716. Employment agencies and job centres are particularly important when it comes to the integration of refugees in the labour market. Although the employment agencies are responsible for asylum seekers and tolerated persons, and municipal job centres for recognised asylum applicants, a continuous support service must be ensured. Assistance measures such as wage subsidies have been promising for migrants at least in the short run (Butschek and Walter, 2014), albeit little is known about indirect and unintentional effects of wage subsidies in the longer run. ↘ [BOX 26](#)

The **priority review**, which is complicated and involves a lot of administrative work, should be permanently abolished and not just be suspended in certain regions. Early labour-market integration has already proved to be of value in other countries (Martín et al., 2016).

717. Migrants should not be granted any privileges over other labour-market participants in **measures of labour-market policy**, not least for reasons of broad social acceptance. Neither should they be placed in a less favourable position, however. Rather, if recognised asylum applicants are to enter the labour market, a sufficient supply of work for people with low qualifications or qualifications that are not fully relevant is needed.

In the past, the creation of job opportunities has not been very effective as an active measure of labour-market policy. The 100,000 planned additional **job opportunities** (“one-euro jobs”) for ‘meaningful community work’, however, can serve to acquaint asylum seekers with the German labour market during the lengthy asylum procedure, as long as this does not compromise language learning and potential training (Expert Council of German Foundations on Integration and Migration, 2016a).

718. The growing supply of labour in the less productive field requires a sufficiently flexible labour market to be successfully absorbed. [↘ ITEMS 769 FF](#). The **increase in the minimum wage** to €8.84 on 1 January 2017 is likely to make entry into the labour market more difficult. One solution, as already proposed by the GCEE, would be to regard job-seeking recognised asylum applicants as long-term unemployed from the outset and thus temporarily exempt them from the minimum wage. Internships should be exempted from the minimum wage for a period of up to twelve months because they have an educational function and ease entry into the work environment.
719. In addition, **flexible employment opportunities** could facilitate labour-market integration. However, the recently adopted reforms of temporary work and work contracts conflict with this objective. Furthermore, self-employment, also in new business forms, offers an area of employment with low entry barriers which is already used to an above-average extent by migrants (Metzger, 2016). Facilitating access to protected service areas, e.g. by abolishing the requirement of a master craftsman’s certificate in non-hazardous occupations, could promote self-employment, for example in craft occupations.

3. Restrictions on mobility and successful integration

720. Many recognised asylum applicants want to live in metropolitan areas. This can lead to problems if there is a major influx in a very short period of time. The Integration Law has therefore placed restrictions on where people may live. The aim is to prevent segregation, improve integration and ease the pressure on administrations and municipal budgets. However, several negative effects must be taken into account when **mobility is restricted**, although these are likely to be mitigated by the existing exceptions for people in employment and by the possibility of regional differentiation.
721. Since immigrants often move to an environment where other migrants of the same ethnic origin are already living (Bartel, 1989; Edin et al., 2004; Glitz, 2012), the result can be geographical concentrations of settlement. This involves

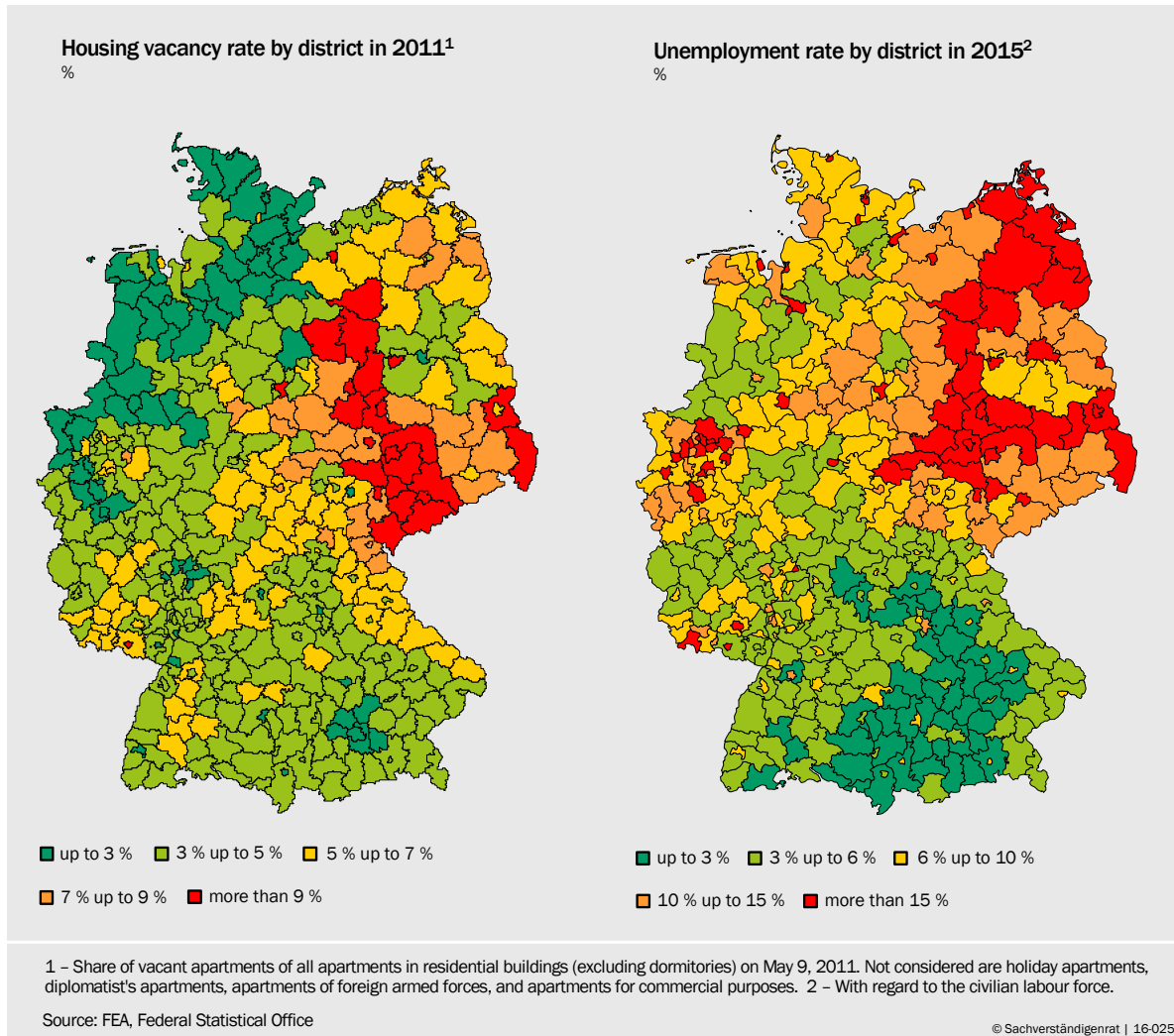
the **risk of segregation**. The characteristics of the social and ethnic environment are important factors for the success of labour-market integration and the size of the pay gap compared to the local population. Ethnic networks with high education levels can stimulate incentives for further and advanced training, while ethnic networks with a lower education level can reduce training and employment opportunities (Romiti et al., 2015; Borjas, 1995; Damm, 2009).

722. Settlement concentrations can widen the **divergence between growing and shrinking regions** when immigrants seek to move to metropolitan areas (Altemeyer-Bartscher et al., 2016). Since most recognised asylum applicants will initially be dependent on social services, settlement concentrations also lead to an uneven distribution of costs among the municipalities, which are only partially cushioned by existing financial equalisation. The regional distribution of asylum seekers among the municipalities is the responsibility of the respective federal state.
723. If the demand for housing increases in certain areas as a result of the influx of refugees, **housing shortages** that can already be observed in these regions will be exacerbated (Aiyar et al., 2016). Although the number of housing units built increased from 150,000 to 250,000 per annum between 2010 and 2015, it seems unlikely that current construction activity can meet the medium-term demand for housing. ↘ [BOX 3](#) Similar experience has already been made in previous times of high immigration (Glitz, 2012). When ethnic German repatriates were entering the country, transitional hostels were created, and some of them were still needed several years later (Koller, 1997).
724. Estimates for the years 2015 to 2020 assume a need for 270,000 residential units per year without an increased influx of refugees (Henger et al., 2015). Own calculations by the GCEE based on assumptions on average living space estimate the total additional demand for recognised asylum applicants at 340,000 residential units up to 2020 (Andritzky et al., 2016). On the other hand, there are a considerable number of **vacancies** totalling 1.7 million housing units, although such figures vary greatly from region to region. ↘ [CHART 94 LEFT](#) High housing-vacancy rates are often associated with poorer employment prospects and a high level of unemployment in those regions. ↘ [CHART 94 RIGHT](#)
725. Evidence from Denmark and Sweden suggests that refugees distributed to regions on the basis of housing vacancies have been less successful in finding employment than those distributed according to employment-related criteria (Damm and Rosholm, 2005; Edin et al., 2004). The OECD (2016c) therefore recommends **taking employment prospects into account** in the distribution process.

From 1996 to 2009, a **place-of-residence allocation act** was already applied for **ethnic German repatriates** receiving income support; the aim was to achieve a more balanced distribution of repatriates. Although inner-city concentrations and social hot spots emerged in certain municipalities despite nationwide residence allocation, partly as a result of social housing, the repatriates' lack of spatial mobility suggests that residence allocation had a sustainable effect (Haug and Sauer, 2007).

↳ CHART 94

Employment chances and available housing space in regional comparison



726. Finally, it is questionable to what extent varying residence regulations under the Integration Law is a suitable way of preventing negative forms of segregation. **Mobility restrictions** can be advantageous as a short-term measure. The possibility of regional differentiation and the existing exemptions make particular sense in this context (Expert Council of German Foundations on Integration and Migration, 2016b). However, in the longer term this could result in higher unemployment and poorer earnings prospects. Mobility restrictions over longer periods of time should therefore be avoided.

IV. CONCLUSIONS: “FÖRDERN UND FORDERN”

727. The GCEE regards **successful and sustainable labour-market integration** as **essential** for the integration of recognised asylum applicants into society. Existing barriers to taking up employment should therefore be eliminated as early as possible. The Integration Law represents an important first step to this

end and strengthens incentives for integration and further training, although it will require a lot of effort over many years.

728. The lengthy asylum procedures should already be used for language acquisition and a low-threshold familiarisation with the labour market. To achieve this, it is important to assess asylum seekers' qualifications and language skills at an early stage. Following the motive of "fördern und fordern", asylum applicants should be **encouraged and required** to make use of these **educational opportunities**. Training incentives can contribute towards raising the potential of asylum seekers. In order not to hinder access to educational and training opportunities, entrance examinations should be used and rigid age limits abolished. Furthermore, training courses offering partial qualifications can ease the transition to vocational training.
729. The priority review should be completely abolished to facilitate the transition into the labour market. Wage subsidies for migrants have been a promising tool in the short run in the past. Asylum applicants should, however, not be privileged regarding labour-market measures. Rather, the labour market should be made more flexible in general. Finally, as regards the option of mobility restrictions, although they can make sense in the short term in view of the sharp increase in the number of asylum seekers arriving, the negative effects of these restrictions on labour-market prospects should be given careful consideration.

REFERENCES

Aiyar, S. et al. (2016), *The refugee surge in Europe: Economic challenges*, IMF Staff Discussion Note 16/02, Washington, DC.

Aktionsrat Bildung (2016), *Integration durch Bildung. Migranten und Flüchtlinge in Deutschland*, Waxmann Verlag, Münster.

Altemeyer-Bartscher, M., O. Holtemöller and M. Wieschemeyer (2016), Zur räumlichen Verteilung von Flüchtlingen im Föderalstaat, *ifo Schnelldienst* 4/2016, 43–49.

Andritzky, J., B. Aretz, D.I. Christofzik and C.M. Schmidt (2016), *Influx of refugees to Germany: Integration as a key challenge*, Arbeitspapier 09/2016, Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, Wiesbaden, forthcoming.

Aretz, B., D.I. Christofzik, U. Scheuring and M. Werding (2016), *Auswirkungen der Flüchtlingsmigration auf die langfristige Tragfähigkeit der öffentlichen Finanzen*, Arbeitspapier 06/2016, Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, Wiesbaden.

Authoring Group Educational Reporting (2016), *Bildung in Deutschland 2016*, W. Bertelsmann Verlag, Bielefeld.

Bartel, A.P. (1989), Where do the new U.S. immigrants live?, *Journal of Labor Economics* 7, 371–391.

Bauer, T.K. (2015), Schnelle Arbeitsmarktintegration von Asylbewerbern – Was ist zu tun?, *Zeitschrift für Wirtschaftspolitik* 64, 305–313.

Beicht, U. (2009), Verbesserung der Ausbildungschancen oder sinnlose Warteschleife? Zur Bedeutung und Wirksamkeit von Bildungsgängen am Übergang Schule - Berufsausbildung, BiBB Report 11/09, Bonn.

Bonin, H. (2016), Gewinne der Integration - Berufliche Qualifikation und Integrationstempo entscheiden über die langfristigen fiskalischen Kosten der Aufnahme Geflüchteter, böll.brief 1, Heinrich Böll Stiftung, Berlin.

- Borgna, C. and D. Contini (2014), Migrant achievement penalties in Western Europe: Do educational systems matter?, *European Sociological Review* 30, 670–683.
- Borjas, G.J. (1995), Ethnicity, neighborhoods, and human-capital externalities, *American Economic Review* 85, 365–90.
- Brücker, H., A. Hauptmann and E. Vallizadeh (2015), *Flüchtlinge und andere Migranten am deutschen Arbeitsmarkt: Der Stand im September 2015*, Aktuelle Berichte 14/2015, Institut für Arbeitsmarkt und Berufsforschung, Nürnberg.
- Butschek, S. and T. Walter (2014), What active labour market programmes work for immigrants in Europe? A meta-analysis of the evaluation literature, *IZA Journal of Migration* 3:48.
- Cunha, F. and J. Heckman (2007), The technology of skill formation, *American Economic Review* 97, 31–47.
- Damm, A.P. (2009), Ethnic enclaves and immigrant labor market outcomes: Quasi-experimental evidence, *Journal of Labor Economics* 27, 281–314.
- Damm, A.P. and M. Rosholm (2005), *Employment effects of spatial dispersal of refugees*, Arbeitspapier 2005–3, Københavns Universitet, Kopenhagen.
- Edin, P.-A., P. Fredriksson and O. Åslund (2004), Settlement policies and the economic success of immigrants, *Journal of Population Economics* 17, 133–155.
- European Commission (2016), *Fiscal sustainability report 2015*, European Economy - Institutional Paper 18, Generaldirektion Wirtschaft und Finanzen, Brüssel.
- European Commission and OECD (2016), How are refugees faring on the labour market in Europe? - A first evaluation based on the 2014 EU Labour Force Survey ad hoc module, Joint Working Paper, Brüssel.
- Expert Council of German Foundations on Integration and Migration (2016a), *SVR zum Integrationsgesetz: Frühe Integrationsförderung und Eingliederung in Regelsysteme konsequent ausweiten*, Pressemitteilung, Sachverständigenrat deutscher Stiftungen für Integration und Migration, Berlin, 19. Mai.
- Expert Council of German Foundations on Integration and Migration (2016b), *SVR nennt Kriterien für eine etwaige Wohnsitzauflage für anerkannte Flüchtlinge: Integrationsperspektive muss Vorrang haben*, Pressemitteilung, Sachverständigenrat deutscher Stiftungen für Integration und Migration, Berlin, 16. Februar.
- Federal Ministry of Finance (2016), *Vierter Bericht zur Tragfähigkeit der öffentlichen Finanzen*, Bundesministerium der Finanzen, Berlin.
- Fratzscher, M. and S. Junker (2015), Integration von Flüchtlingen: eine langfristig lohnende Investition, *DIW Wochenbericht* 45/2015, 1083–1088.
- GCEE (2011), Herausforderungen des demografischen Wandels (Expertise), Statistisches Bundesamt, Wiesbaden.
- Glitz, A. (2012), The labor market impact of immigration: A quasi-experiment exploiting immigrant location rules in Germany, *Journal of Labor Economics* 30, 175–213.
- Haug, S. and L. Sauer (2007), *Zuwanderung und Integration von (Spät-)Aussiedlern - Ermittlung und Bewertung der Auswirkungen des Wohnortzuweisungsgesetzes - Abschlussbericht*, Forschungsbericht 3, Bundesamt für Migration und Flüchtlinge, Nürnberg.
- Henger, R., M. Schier and M. Voigtländer (2015), Baubedarfe: Stadt und Land fallen auseinander, *Wirtschaftsdienst* 11, 716–718.
- IMF (2016), *Acting now, acting together*, Fiscal Monitor, Internationaler Währungsfonds, Washington, DC.
- Klemm, K. (2016), Schülerinnen und Schüler aus Flüchtlingsfamilien: Eine Expertise zum Personalbedarf, Expertise für den nationalen Bildungsbericht 2016, Essen.
- Koller, B. (1997), Aussiedler der großen Zuwanderungswellen - was ist aus ihnen geworden?, *Mitteilungen aus der Arbeitsmarkt- und Berufsforschung* 30, 766–789.
- Liebau, E. and D. Schacht (2016), Spracherwerb: Geflüchtete schließen zu anderen MigrantInnen nahezu auf, *DIW Wochenbericht* 35/2016, 741–748.
- Liebig, T. (2016), Präsentation „OECD Internationaler Migrationsausblick und Herausforderungen der Flüchtlingskrise“ vom 22. September,

<http://www.oecd.org/berlin/publikationen/international-migration-outlook-2015.htm>, last downloaded on 2016-17-10.

Martín, I. et al. (2016), From refugees to workers: Mapping labour-market integration support measures for asylum seekers and refugees in EU member states - Volume I: Comparative analysis and policy findings, Bertelsmann Stiftung, Gütersloh.

Metzger, G. (2016), *Migranten überdurchschnittlich gründungsaktiv - Arbeitsmarkt spielt große Rolle*, Fokus Volkswirtschaft Nr. 115, Kreditanstalt für Wiederaufbau, Frankfurt am Main.

OECD (2016a), *What are the benefits from early childhood education?*, Education Indicators In Focus 42, Organisation for Economic Co-operation and Development, Paris.

OECD (2016b), *International migration outlook*, Organisation for Economic Co-operation and Development, Paris.

OECD (2016c), *Making integration work: Refugees and others in need of protection*, Organisation for Economic Co-operation and Development, Paris.

de Paola, M. and G. Brunello (2016), *Education as a tool for the economic integration of migrants*, IZA Discussion Paper 9836, Bonn.

Pfeiffer, F. (2016), Ein Plädoyer für mehr optimale öffentliche Bildungsinvestitionen, *Wirtschaftsdienst* 96, 467–470.

Raffelhüschen, B. and S. Moog (2016), Zur fiskalischen Dividende der Flüchtlingskrise: Eine Generationenbilanz, *ifo Schnelldienst* 4/2016, 24–29.

Romiti, A., P. Trübswetter and E. Vallizadeh (2015), *Das soziale Umfeld gibt die Richtung vor*, IAB-Kurzbericht 25/2015, Nürnberg.

Ruhm, C. and J. Waldfogel (2011), *Long-term effects of early childhood care and education*, IZA Discussion Paper 6149, Bonn.

Salikutluk, Z., J. Giesecke and M. Kroh (2016), Geflüchtete nahmen in Deutschland später eine Erwerbstätigkeit auf als andere MigrantInnen, *DIW Wochenbericht* 35/2016, 749–756.

Schneeweis, N. (2011), Educational institutions and the integration of migrants, *Journal of Population Economics* 24, 1281–1308.

van Suntum, U. and D. Schultewolter (2016), Das costa fast gar nix? Das costa ganz viel!, *ifo Schnelldienst* 4/2016, 30–38.

Werdning, M. (2016), *Rentenfinanzierung im demographischen Wandel: Tragfähigkeitsprobleme und Handlungsoptionen*, Arbeitspapier 05/2016, Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, Wiesbaden.

Werdning, M. (2014), Demographischer Wandel und öffentliche Finanzen. Langfrist-Projektion 2014-2060 unter besonderer Berücksichtigung des Rentenreform-Pakets der Bundesregierung, Arbeitspapier 01/2014, Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, Wiesbaden.

Werdning, M. (2011), Demographie und öffentliche Haushalte - Simulationen zur langfristigen Tragfähigkeit der gesamtstaatlichen Finanzpolitik in Deutschland, Arbeitspapier 03/2011, Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, Wiesbaden.

Wößmann, L. (2016), Bildung als Schlüssel zur Integration: Nur eine realistische Flüchtlingspolitik wird Erfolg haben, *ifo Schnelldienst* 1/2016, 21–24.