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## Migration and Integration: Austrian and California Experiences with Low-Skilled Migrants

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### Abstract

*This paper examines migrant-integration policies and outcomes in Austria and California, with a special focus on recently arrived low-skilled migrants. Unlike native-born workers, who form a broad diamond shape when arrayed by their level of education to reflect the large share who have completed secondary school but did not earn university degrees, foreign-born workers have more of an hourglass or barbell shape, including some who have more than a first university degree and many who have not completed secondary school. Austria promotes a stepwise approach to the labor market integration of recently arrived refugees, viz, language and skills training before employment, under the theory that investing in people first will raise their long-run earnings. California expects newly arrived migrants to use family and social networks to find jobs and housing to support themselves without government assistance.*

**Keywords:** Low-skilled migrants; Austria and California; refugees; integration policy.

### Austria and EU

Austria had a labor force of 4.4 million in 2015, almost 19 percent foreign born, including 60% who were from other EU countries. Many of the migrants from other EU member states in Austria are highly skilled, but they are not always employed according to their skills, particularly migrants from the new European Union Member States (EU-MS). The language barrier is one major reason for down-skilling, and another is the large difference in wages between Poland and other source countries and Austria, which attracts teachers and other professionals to jobs in Austrian tourism and care services, even if they lack training for these lower-than-average wage jobs. Austria has required non-EEA (European Economic Area) migrants since 1996 to have skills, so Austrian employers take advantage of free mobility of labor within the EU and recruit some EU-migrants from Central European countries for low-paid jobs with difficult working conditions.

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Most low-skilled migrants in Austria are from former guest-worker countries, and today most arrive via family migration from former Yugoslavia and Turkey. Turkish migrants tend to work in the production of textiles and consumer goods as well as in retail trade, while those from ex-Yugoslavian are more often found in the construction sector, transport and cleaning services.

Given free mobility of labor within the EU, national governments can in principle only regulate the entry of third country migrants. Most EU governments limit non-EU entries to skilled or highly skilled migrants, so refugee migration has become a major source of low-skilled labor to supplement workers who arrive via family migration. Irregular migration is fairly small, and includes over-stayers who face difficulties getting their status regularized. Such persons, who may not access social welfare payments but have access to shelters and emergency health and care services, may work irregularly in agriculture and domestic services. (Biffi, 2017 a/b)

The employment outcomes of migrants are highly correlated with their educational attainment. The employment rate is highest for citizens of the EU-15 (77%), largely Germans, followed by migrants from the EU-12 at 70%, and much lower for persons from former Yugoslavia (61%) and Turkey (46%). The low employment rate of Turks reflects a low employment rate of Turkish women, often women from rural Turkey who marry Turkish men settled in Austria and stay at home.<sup>1</sup> The combination of low skills and traditional ethnic-cultural behavior patterns results in Turks having the highest unemployment rates (16.4% in 2015), compared to the national average of 5.7%, and even lower for Austrians and EU-15 citizens, 4.8 and 5% respectively). The unemployment rate of unskilled workers was 11.9% in 2015. (Biffi, 2017d)

The poverty rate of low-skilled migrants is significantly higher than of natives, 41% for third country migrants after transfer payments, as compared to 10% for natives. While Austria's overall performance on the Social Justice Index 2016 (Schraad-Tischler and Schiller, 2016) exceeds the EU average, it scores badly on socioeconomic factors despite ensuring access to its labor market. Austria ranks among the bottom third in the EU for the education attained by foreign-born students.

The educational attainment of the children of migrants is higher than their parents, especially low skilled parents, but their competence in

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<sup>1</sup> A Muslim orthodoxy has emerged, resulting in a withdrawal of a rising share of Turkish women from the labor market. Many women are wearing more traditional clothing including the scarf, which tends to reduce their employment opportunities.



reading, writing, mathematics and science is significantly lower than for natives. The PISA surveys indicate that the gap has narrowed since 2000, an improvement that may reflect a declining inflow of unskilled migrants and an increasing share of medium to high-skilled migrants.

Refugees tend to have the worst employment performance of any migrant group. (Dumont et al 2016) In Sweden, a country which has taken large numbers of refugees from the Middle East since the Gulf War in 1990, only 39% of all refugees who arrived between 1999 and 2007 found employment after 5 years of residence, and those who found jobs did not use their education and qualifications. In many cases there was intense competition among migrants for Swedish jobs. (Bevelander and Irastorza 2014)

Refugees resettled in Austria may access the labor market without any waiting period, but asylum seekers who enter and apply for asylum on Austrian territory must wait until the Austrian government determines their identity and whether the person qualifies for protection, which may take several years. The Austrian federal government provides benefits worth 980 EUR a month to adult asylum seekers, including group accommodation, health insurance, pocket money, and clothing allowances, and incurs administrative costs to provide this support.

Costs are much higher for unaccompanied minors, 3,692 EUR a month, because they need special accommodations and support such as language training and education. Upon recognition as a refugee, the person may register with the employment service, which pays basic income support, provides skills and language training, and offers subsidies to employers willing to hire those granted refugee status.

Access of asylum seekers to the Austrian labor market has changed. Since 2003 asylum seekers awaiting a decision on their applications are allowed to work only in temporary jobs in agriculture and tourism or as self-employed. The EU Reception Conditions Directive of 2013, which replaced the Council Directive 2003/9/CE, aimed to ensure more harmonized standards of reception conditions by 20 July 2015, including access to the labor market after 9 months. Austria has implemented the Directive but continues to deny those waiting for decisions full access to the labor market.

Asylum seekers in Austria under 25 may access apprenticeship programs in shortage occupations for the whole period of training plus the legally obliged duration of continued employment, an average 3 months. This new regulation went into effect 2017, replacing one that required the training to be terminated if the asylum claim was rejected, since rejected asylum seekers were to leave Austria immediately. However, many rejected asylum



seekers remained as irregular migrants, finding informal employment with no option for a red-white-red-card<sup>2</sup> to be employed in a labor-shortage occupation.

Asylum seekers over 25 may work after three months into asylum procedures in occupations with seasonal employment contracts, agriculture and forestry as well as tourism, and may work as self-employed in non-regulated commercial or noncommercial activities. The Integration Act, which passed the Council of Ministers in March 2017<sup>3</sup> and came into effect October 2017, allows legal employment for asylum seekers in the household sector.

Asylum processes have taken on average 6-8 months for the initial decision plus appeal. If refugee status is not granted, subsidiary protection may be granted in cases where refoulement is not feasible, at first for one year with possible renewal; after five years, the person can apply for humanitarian settlement. More than 90% of the asylum seekers from Syria are recognized as refugees, compared to 50% from Afghanistan. But most rejected Afghanis receive subsidiary protection, which allows them to access employment and apprenticeships without any restrictions.

Few of the current wave of refugees and foreigners with subsidiary protection can find a regular job without upskilling or retraining. Austria introduced a one-year integration program in 2017 that requires refugees to participate in language training and other integration measures in order to receive support services and welfare payments; refugees receiving public support must also do community and voluntary work until they are job ready.

Participation in community work does not affect the regular labor market, but allows the establishment of social ties with the local community and teaches local work practices. Similar introductory courses have been established in the Nordic countries, where support services are offered in combination with penalties if job and training offers are not accepted. (Brochmann and Hagelund 2011)

In 2015, the Austrian government spent 480 million EUR (0.14% of GDP) on asylum seekers, most for basic income support. In 2016, the amount rose to 1.3 billion EUR (0.38% of GDP) despite a 50% drop in the number of asylum seekers. The increased asylum budget was due to the large numbers of asylum seekers waiting for a decision and the crossover from the asylum system to the welfare benefit system, which is closely linked to the labor

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<sup>2</sup> This is a settlement permit for third country citizens which came into effect 2011. For more see: <http://www.migration.gv.at/en/types-of-immigration/permanent-immigration/>

<sup>3</sup> <https://www.facebook.com/notes/sebastian-kurz/integrationsgesetz-im-ministerrat-beschlossen/1297736166984720>



market support system that offers education and training and language courses. In 2017 the total additional budgetary costs are estimated to some 1.2 billion EUR (0.37% of GDP). While GDP growth is expected to increase as a result of the increased labor supply and public expenditure on refugees (+0.6 percentage points in 2016 and again in 2017), GDP per capita is expected to decline (-0.4 percentage points). (Berger et al., 2016; Biffi, 2017c)

Germany in July 2016 enacted an integration law that went into effect in August 2016 that requires recognized refugees to remain in particular regions to receive benefits, as was done for German Aussiedler until 2009. In addition, permanent residence visas are granted only to recognized refugees who fulfill all the requirements of the one-year-integration phase, that is, they must participate in language and cultural orientation classes and accept job offers commensurate with skills. In addition, the requirement that German employers give preference to Germans or EU citizens to fill job vacancies was suspended for three years, easing the transition of newcomers into the labor market.

However, the low education levels of newcomers prompted the head of Germany's employment agency to say that the asylum seekers who arrived in 2015 "are not the work force that the German economy needs." Frank-Juergen Weise predicted that, under the current integration plan, 10 percent of those granted asylum might be able to find regular jobs within a year, and half within five years. Such predictions prompted calls for adoption of faster access into the German labor market, even at lower wages (John and Martin, 2017).

### **California and US**

California had a labor force of 19.1 million in 2015, including 27 percent who were born abroad (Employment Development Department, 2017). The foreign-born workers in California include highly educated Chinese and Indians associated with innovative industries in Silicon Valley as well as Mexicans and Central Americans with little education who are employed in agriculture, construction, and services that range from hotels and restaurants to health care and janitorial services.

The US is a nation of immigrants. Foreign-born US residents are almost a seventh of the 320 million Americans (Cohn, 2017). Over half of the international migrants in the US are Hispanic, including 28 percent who were born in Mexico and five percent each who were born in China, India and the Philippines. Almost half of the foreign-born are naturalized US citizens, reflecting the trend of more immigrants arriving from countries



that allow or encourage dual nationality (Lopez and Radford, 2017). Less than 20 percent are non-Hispanic whites, and half of those five and older report speaking English well.

Foreign-born residents are concentrated: a quarter, 10.5 million, was in California in 2014, followed by 4.5 million each in New York and Texas, so that these three states included almost half of all immigrants (Lopez and Radford, 2017). Over 27 percent of California residents are migrants, as are 23 percent of New York residents. Over half of Miami's residents were born outside the US, as were 40 percent of Los Angeles residents.

Migrants generally and unauthorized foreigners in particular divide Americans. A Pew poll in summer 2016 found that Republicans tend to give priority to enforcement to reduce illegal migration, while Democrats believe the government should prioritize legalizing some unauthorized foreigners in the US (Pew Research, 2016). Candidate Donald Trump made opposition to illegal migration one of the hallmarks of his campaign, and President Trump has called for a wall on the Mexico-US border and stepped up the enforcement of laws against illegal migration in the US (Martin, 2017).

The 11 million unauthorized foreigners generate similar divisions. Gallup polls in recent years found that slightly more people think the US government should focus on dealing with unauthorized foreigners in the US rather than halting the inflow of unauthorized foreigners, 51 to 45 percent in June 2016 (Gallup, 2017). When asked in June 2016 what should be done with unauthorized foreigners in the US, over 80 percent of Americans favored allowing them to become immigrants and eventually US citizens if they meet certain requirements.

The number of unauthorized foreigners rose rapidly in the late 1990s and again after recovery from the 2000-01 recession, and peaked at over 12 million in 2007 before declining after the 2008-09 recession to 11.1 million in 2014 (Krogstad, Passel, and Cohn, 2017). The unauthorized include 5.9 million Mexicans, 1.7 million Central Americans, and 1.5 million Asians.

About eight million unauthorized foreigners, 73 percent, are in the US labor force (Krogstad, Passel, and Cohn, 2017). The stock of unauthorized foreigners fell nine percent between 2007 and 2014, while the stock of unauthorized workers fell less than four percent, suggesting that the unauthorized without jobs were most likely to be deported or to leave the US on their own. Unauthorized workers were 10 percent of Nevada's labor force in 2014, nine percent in California, and eight percent in Texas.

The US labor force also includes 20 million legal foreign-born workers. US government data collected from households do not distinguish between



authorized and unauthorized foreign-born workers but, among all foreign-born workers, the labor force participation rate (LFPR) was higher than for native-born workers, 65 compared with 62 percent in 2016, and their unemployment rate was lower, 5.0 versus 4.3 percent (Bureau of Labor Statistics, 2017).

There is a striking difference between the LFPR of foreign-born men and women. The LFPR of foreign-born men, 78 percent in 2016, was higher than for US-born men, 67 percent, while the LFPR of foreign-born women, 53 percent, was lower than for US-born women, 58 percent (Bureau of Labor Statistics, 2017). Some of these differences reflect the fact that a higher share of the foreign-born are in the 25 to 54 age group, which is marked by high LFPRs for men and lower LFPRs for women with children.

The US has an integration-via-private-sector jobs policy, meaning that newly arrived migrants are expected to use family and social networks to find jobs and housing to support themselves without government assistance (Siskin, 2016). Unauthorized foreigners are generally barred from federal social safety net programs, and legal immigrants cannot receive most means-tested federal benefits until they have worked in the US at least 10 years or 40 quarters; some can become naturalized US citizens after five years, shortening the bar on welfare benefits.

The US migrant-integration-via-private-sector jobs policy has several effects. First, the availability of jobs gives migrants what they most want, a job offering higher wages than they could earn at home. Second, employers become advocates for low-skilled migrants, often arguing that they would have to close their businesses without them. Some employers benefit from the availability of migrants desperate for low-wage jobs, as in agriculture (Martin, Hooker, Aktar, and Stockton, 2016).

The third effect of integration-via-work is to reduce public opposition to migrants because they are associated with hard work rather than welfare benefits. Fourth, the children of migrants who see their parents working very hard in low-wage jobs may be inspired to get sufficient education to get a better US job. Many children of low-skilled migrants educated in the US reject their parents' first jobs.

There are also major drawbacks to the US integration-via-private-sector jobs policy. First, since many social safety net programs are linked to work, workers in low-wage jobs may lack access to health insurance, pensions, and similar work-related benefits, making them "working poor," that is, employed (sometimes full time) but with poverty-level wages. Second, children in working poor families may be tempted to drop out of US schools to work and increase the family's income because of their parents' low earnings, a short-term income-support strategy that may reduce the child's



long-term earnings. Third, some (minority) children of migrants may believe that the US system discriminates against them, and identify with Blacks, Hispanics, and others who often drop out of the labor force and sometimes turn to crime.

### Conclusions

Integrating low-skilled migrants poses tradeoffs. Austria and most European countries tend to invest in newcomers, providing them with skills so that they do not put downward pressure on wages when they enter the labor market. Many low-skilled jobs have disappeared in Europe, and there are already native workers seeking those that remain, so governments want to limit migrant-native worker competition at the bottom of the labor market.

The Austria-Europe approach is to invest in newcomers first and hope that the outcome is a more skilled labor force that can justify high wages. However, this requires an investment of public funds upfront, since many newcomers arrive with little education and few skills.

The US-strategy is different. By expecting newcomers to be self-supporting upon arrival, migrants are encouraged to go to work even in low-wage jobs. On the one hand, the US policy gets many newcomers into jobs, but leaves many migrants among the working poor, employed but not earning more than the poverty line.

There is a sharp contrast between the European no-work and the American no-welfare policies toward newcomers. It is difficult to determine which policy is better, but the difference highlights the tradeoff between investing in newcomers to provide them with language and job training so that they can fill middle-skill jobs, or making the first priority to get newcomers into jobs even at very low wages.

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