

**Migration and Integration:  
Austrian and California Experience with Low-Skilled Migrants**

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**Summary:**

The purpose of this collaborative research project was to examine the policies, institutions, and outcomes of migrant-integration efforts in Austria and California, with a special focus on recently arrived low-skilled migrants, in Austria largely refugees. 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 in California, less so in Austria since the imposition of skill requirements on migrants in 1996, 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.

This project focused on the integration of recently arrived low-skilled migrants. In 2015-16, Austria received 130,100 requests for asylum, one of the highest per capita intakes among EU member states, plus 55,000 “regular” immigrants. Austria, Germany, and Sweden had the highest per capita rates of asylum seekers from Syria, Afghanistan, and Iraq in Europe.

The best data on the skills of the 2015/16 wave of asylum seekers is from Germany, where over 70 percent of asylum seekers 18 and older provided information on their education. Among Syrian adults, almost 80 percent had medium (50 percent had only secondary) or high (27 percent had university degrees) levels of education, while 20 percent were low skilled. By contrast, most asylum seekers from Afghanistan, Eritrea and Somalia had less than secondary school education. Austrian data mirror German data, showing that Iraqis and Syrians are best educated, with up to 20 percent having university degrees, while 30 percent of the Afghanis and Somalis had no schooling.

Austria and other European countries promote a stepwise approach to labor market integration, viz, language, skills training, and employment, under the theory that investing in people first will raise their long-run earnings of migrants after they join the labor force. Both Austria and Germany stress the importance of working soon after arrival, Austria with publicly subsidized work and Germany with one-Euro jobs; those who refuse to participate risk loss of government welfare payments. The Nordic model of investing heavily in

supportive services for work such as child care may spread to Austria and Germany.

Martin gave talks on the California and US experience with integrating low-skilled migrants on July 7, 2016 in Nurnberg and July 12, 2016 in Vienna; Biffel spoke at UC-Davis April 17, 2017. Feedback from seminar participants and Martin-Biffel discussions created a basis for developing a comparative conference proposal. We believe we accomplished the goals of our collaborative research project and appreciate the support of the Marshallplan.

### **Austria and EU:**

Austria has a labor force of 4.4 million in 2015, almost 19 percent foreign born, including 60% who were from other EU countries; many intra-EU migrants in Austria are highly skilled. They are, however, not always employed according to their skills, particularly migrants from the new European Union Member States (EU-MS) in the East. While the language barrier is one major reason for down-skilling, the other is the large difference in wages between the source countries and Austria which attracts teachers and other professionals to jobs in tourism industries, care services and the like, for which they are not trained. These jobs tend to be at the lower end of the wage spectrum in Austria and cannot attract sufficient workers from within Austria. As the selective migration policy impedes the recruitment of third country migrants with low skills, i.e. persons born outside of the EEA (European Economic Area), employers may take advantage of free mobility of labor within the EU and recruit EU-migrants for low-paid jobs with difficult working conditions.

However, most low-skilled migrants in Austria are from former guest-worker countries; 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, persons of Yugoslavian origin 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 family migration. Irregular migration is fairly small, and includes over-stayers who face difficulties getting their status regularized. They may not access social welfare payments but have access to shelters and emergency health and care services. They may find clandestine work, often in agriculture and domestic services.

The employment outcomes of migrants are highly correlated with their educational attainment levels. 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 retain traditional behavior patterns of women staying 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 a country average of 5.7%. Austrians and EU-15 citizens have the lowest unemployment rates (4.8 and 5% respectively). The unemployment rate of unskilled workers on average in Austria was 11.9% in 2015.

The poverty rate of especially 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 exceeds the EU average, it scores badly on socioeconomic factors despite ensuring broadly inclusive access to its labor market. Austria ranks among the bottom third in the EU for the education level attained by foreign-born students.

The educational attainment of the children of migrants is higher than their parents, especially low skilled parents; however, their competences in reading, writing, mathematics and science are significantly lower than for natives. The PISA surveys indicate that the gap is narrowing 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. In Sweden, a country which has taken in 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 Swedish jobs did not use their education and qualifications. In many cases there was intense competition among migrants for Swedish jobs.

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While refugees who enter Austria within resettlement programs - in Europe still the exception rather than the rule, quite opposite to the United States - may access the labor market without any waiting period, this is not the case for asylum seekers who enter the country on an irregular basis and apply for asylum on Austrian territory. It is difficult to establish the identity of the asylum seeker and determine whether he or she qualifies for the Geneva Convention protection. The time between entry and a decision on whether the migrant can stay may

<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 the employment opportunities.

stretch to 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 measures 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 upskilling and language training, and offers subsidies to employers who are willing to employ a refugee.

Access of asylum seekers to the labor market has seen various regulative changes. Since 2003 asylum seekers are prohibited from working legally, except for temporary jobs in agriculture and tourism or as self-employed, until their cases are decided. The EU Reception Conditions Directive of 2013, which replaced the Council Directive 2003/9/CE, aimed to ensure better and more harmonized standards of reception conditions by 20 July 2015. EU-MS have to ensure that asylum applicants have access to housing, food, clothing, health care, education for minors and access to employment within a maximum period of 9 months. Austria has implemented the Directive but continues to deny full access to the labor market.

Asylum seekers in Austria who are under 25 may access apprenticeship programs in shortage occupations for the whole period of training plus the legally obliged duration of continued employment, which is on average 3 months, but can be longer in case of collective agreement in that occupation. This new regulation went into effect 2017, replacing one that required the training to be terminated the moment the asylum claim was rejected, because the person was to leave Austria immediately. In reality many stayed on as irregular migrants, finding informal employment with no option for a red-white-red-card<sup>2</sup> in a shortage occupation.

Asylum seekers over the age of 25 may work after three months into the asylum proceedings in occupations with seasonal employment contracts, agriculture and forestry as well as tourism, and may work as self-employed or in noncommercial activities. The Integration Act which passed the Council of Ministers in March 2017<sup>3</sup> and is expected to come into effect by mid-2017, is also opening up legal employment opportunities for asylum seekers in the household sector (household services cheque).

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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>

The asylum processes has 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, so that 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% of claimants from Afghanis. 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 such type of work does not affect the regular labour market, but allows the establishment of social ties with the local community while learning local work practices and behaviour patterns. Similar introductory courses have been established in the Nordic countries so that refugees do not fall into a welfare-dependency trap. In order to learn how to make a living on one's own account, support services have to be offered in combination with penalties if job and training offers are not accepted.

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 budgetary load was on the one hand due to large numbers of asylum seekers waiting for a decision, on the other due to the crossover from the asylum system to the welfare benefit system, which is closely linked to the labor market support system that offers education and training and language courses. In the year 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 for 2016 as well as 2017), GDP per capita is expected to decline (-0.4 percentage points).

Germany in July 2016 enacted an integration law that went into effect in August 2016 that required recognized refugees may be obliged to remain in denominated particular regions, a practice in place for 'German origin resettlers' (Aussiedler) until 2009. In addition, permanent residence is granted only to recognized refugees that fulfill all the requirements of the one-year-integration phase, i.e. participate in language and cultural orientation classes, accept education and training measures as well as job offers commensurate with their skills. In

addition, the requirement that German employers give preference to Germans or EU citizens to fill vacancies was suspended for three years. The head of Germany's employment agency said that the asylum seekers who arrived "are not the work force that the German economy needs." Frank-Jurgen Weise predicted that 10 percent of those granted asylum might be able to find regular jobs within a year, and half within five years.

### **California and US**

California had a labor force of 19.1 million in 2015, including 27 percent who were born abroad. 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. 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. 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, were 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. 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 September 2015 found 45 percent of Americans think that immigrants make the US better off in the long run, while 37 percent say immigrants make the US worse off (Pew Center, 2015). Half of Americans say that immigrants increase crime and hurt the economy, while 30 percent think that immigrants increase US competitiveness in science and technology and half agree that immigrants improve food, music and the arts.

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). 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. 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. 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 19 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 2015, and their unemployment rate was lower, 4.9 versus 5.4 percent (Bureau of Labor Statistics, 2016).

There is a striking difference between the LFPR of foreign-born men and women. The LFPR of foreign-born men, 78 percent in 2015, 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, 57 percent. 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. 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 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. Third, public opposition to migrants is reduced if 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.

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, 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.

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