



## How does Refugee Migration Affect the Labour Market?

The ongoing European refugee crisis is a hot topic; met with either a warm “Refugees Welcome” or fierce, burning opposition. Public opinion seems to fluctuate, according to the constantly updating photographs, stories and statistics. Likewise, reactions from politicians range from Hungarian Prime Minister Orbán’s thirteen-foot barrier to Merkel’s open-door policy. This article focuses on refugees’ economic footprint on the labour markets that receive them. Are refugees simply excess baggage on economies that are just beginning to pull themselves out of a global recession? Or are they beneficial rough diamonds that have the potential to help deal with the host state’s core issues such as ageing populations?

A refugee is described by the UN as a person fleeing their home due to well-founded fears of persecution. Most head to cities in safer

countries but access to jobs is very limited, and after refugees’ money has been used up, they are left in poverty. Some stay in refugee camps, where there is very little economic activity or education, with the average stay being 17 years. More and more refugees, while not immediately threatened, choose the perilous passage to Europe. They hope for better opportunities in employment, housing and education.

It is difficult to predict the results of an increase in the numbers of refugee workers on the labour market because it is dependent on so many factors. A belief many people hold is that ‘the true charity is not giving bread or money, but providing employment.’ Economies with skills gaps accommodate new entrants with relative ease. In Kurdistan, training for low-paid or less desirable jobs was provided by the Danish Refugee Council

and 79% of participants continued to work in the same firms as full-time employees. These jobs are those most often taken by refugees but are not always the best way of making use of their existing knowledge. Problems such as destroyed employment records, no existing network and differences in general education and experience are a big barrier to utilising the skills of refugees. It can lead to refugees having to take jobs for which they are overqualified. This is not only wasteful, but can hurt the individual's mental wellbeing, which may eventually lead to greater costs like treatment and social problems.

Furthermore, the current status of the labour market needs to be taken into account. European countries with the highest unemployment (all figures taken for 2019), such as Greece (17%) and Spain (14%) will find it more difficult to incorporate refugees to their labour markets. Refugees will be more attracted to countries with lower rates of unemployment such as Germany (3.1%) and Great Britain (3.8%). However, regulations and inflexibilities regarding contracts and high living wages can put off employers where refugees' productivity is under no guarantee. In Germany, refugees are given 6 months to work at a wage below the minimum wage, a policy designed to encourage employment of the long-term unemployed. This means that refugees can undercut the wage of native workers. Local workers may harbour resentment and this policy may be seen as inequitable and discriminating against the resident population.

## *Are refugees simply excess baggage on economies that are just beginning to pull themselves out of a global recession?*

A pool of skilled labour could be useful, especially to the UK's energy sector and the NHS. Under the UK Shortage Occupation List are: petroleum engineer, drilling engineer, mechanical or electrical engineer in the oil and gas industry, geoscientist in the oil industry; the worker from those industries could assist the UK's energy sector and provide innovation with knowledge of foreign practice, Sheila Heard, the managing director of Transitions, a social enterprise working to integrate highly skilled refugees into the labour market, argues "[Recruiting refugees] is not about charity. It's about allowing skilled candidates to compete in the job market along with everyone else." Transitions London has connected refugees with recruiters such as EDF, National Grid and the Royal Academy of Engineering.

Also on the Occupation Shortage list are several medical practitioner professions, including all nurses and paramedics. The effects of the insufficiency are visible. One report found that 90% of hospitals could not meet safe numbers of nurses during the day. In the long term, the ageing population of the UK will exacerbate these issues by increasing the strain on the NHS and increasing the dependency ratio. The effect

of an increase in the dependency ratio is twofold: an increase in pensions, and a reduction in income tax received. Pensions are the largest cost of social protection. In 2019, 18.1% of the UK is aged 65 or over and is projected to rise to 24.3% in 2039. Nursing homes are often short of staff, leading to a decline in quality of care and a need for expensive agency staff. Recognition of foreign nursing qualifications could ease this strain long term and allow nurses with refugee status to work in the profession for which they have been trained.

Increased competition in the labour market has been shown to drive down wages in the context on a rural environment and casual labour in Tanzania, where a 50% decrease in wages for casual labourers was brought about by increased numbers of refugees. A paper by the Bank of England found that for an every 10% rise in immigration, there is a 2% fall in wages. However, this is unlikely to have a noticeable effect in the UK, considering the current plans of accepting 20,000 refugees over 5 years and that virtually all employment is formal, and wages cannot be under the National Living Wage of £8.21 per hour. One problem will be the cost of language training, where one approximate estimate put this at £25 million. Also, the direct beneficiaries of refugees entering the labour market will be wealthy business owners. However, if skills shortages can be addressed effectively then everyone could benefit from improved services.

Some studies suggest that the refugees bring entrepreneurship. Ten percent of Australia's refugees' earnings came from their own

businesses, with Afghan refugees earning the most. The chief executive of the Settlement Services International says that it is partly due to the lack of welfare state in their home countries, that refugees seem to be greater risk-takers. Rolf Sternberg, a German professor of Economic Geography at the University of Hanover, commented "many German-born graduates prefer the greater safety of working for an established company rather than taking the risk of setting up on their own. In Germany, the culture prevails that if you fail, it's not easy to shake off the stigma." The local population who do not have the same obstacles to employment that refugees have, find acquiring a good job relatively easy, whereas refugees are more likely to be self-employed, sometimes out of necessity. In addition, the Arab world has an extensive history of being a centre of trade. This entrepreneurial spirit, if nurtured through access to affordable loans, could create more jobs for the native-born population.

When it comes to the impact of refugees, it is not easy to know exactly what to measure, because their effect is dependent on so many different factors, such as age, socio-economic class, geographical location and cultural integration of refugees and hosts. The eventual impact is hugely dependent on the refugees' reception. Refugees do not have to weigh down economies. Instead, they can contribute to the economies of their hosts, and eventually rebuild their home countries. Having the rights to work, to start businesses and be educated will allow refugees to help themselves within their host countries.