Michaela Slotwinski and Alois Stutzer

Do Inclusive Labor Market Access Regulations Increase the Employment Rate of Asylum Seekers?

in a nutshell #11, January 2019

Further Reading


Alois Stutzer

Politico-Economic Analyses of Immigration and Integration

Many governments face the challenge of designing policies that catalyze the integration of immigrants and sustain the social cohesion of host communities. In our project, we address two broad questions: To what extent do open labor market access regulations as well as immigrant voting rights foster economic and political integration? And how are the presence of asylum seekers, and immigrants in general, attitudes towards them and policy preferences interlinked?

Contact for in a nutshell #11: Alois Stutzer, Professor of Political Economy, University of Basel, alois.stutzer@unibas.ch
Switzerland. Under certain conditions, they are, in principle, entitled to reside in Switzerland, and who are currently in the country and have submitted an application for asylum. Migration, these are defined as «persons who seek asylum».

Unemployed asylum seekers.

This figure indicates the number of asylum seekers whose native language is closer to the main language of their assigned canton. Fig. 2 shows that, with an open labor market, the employment rate of asylum seekers with relevant language skills is substantially higher. For the quartile of asylum seekers whose language is most distant to the one in their canton, there is hardly any increase in employment, even with a completely open labor market. This result confirms previous findings, such as Auer’s, that linguistic proximity makes it much easier to enter the workforce. The considerable weight given to language acquisition in the ‘integration agenda’ recently adopted by the Swiss federal government and the cantons is therefore the correct approach, in our view.

Importance of Early Labor Market Integration

The primary insight gained from the study, however, is that low employment rates among asylum seekers are not caused solely by a lack of educational qualifications, or difficulties in having them recognized, but also by administrative hurdles. Political decisions at the cantonal level play a significant role here, but there are also conflicting objectives, at least at the national level.

On the one hand is the imperative for asylum seekers to become less dependent on social welfare, and to support themselves to a greater extent. This objective can be tackled with more open labor market access. But on the other hand there is the concern that this could attract many more asylum seekers to Switzerland. On the basis of the research to date, this is unlikely to be the case. This is, however, a point that requires more study. In our view, it is important to note that, for asylum seekers who are highly likely to be granted refugee status, delaying their entry into the labor market is an opportunity lost. We know from other studies, such as those by Hainmüller and Marbach, that early integration in the labor market has a positive impact on employment in the long term. Overall, the diversity of the federal Swiss asylum system offers an ideal setting to learn about asylum policies for the future.

“For asylum seekers who are highly likely to be granted refugee status, delaying their entry into the labor market is a missed opportunity.”

The Swiss asylum procedure requires a number of decisions by cantonal political authorities. Cantons are generally at least partially involved in the decision on how to regulate access to the labor market after the initial three-month employment ban, on how fast applications for work permits are approved, and on the extent to which any wages earned are offset against social benefits. Our research shows that these aspects of labor market access regulations significantly influence the employment rate of asylum seekers.

The employment rate of N status asylum seekers, i.e. those whose applications are still under consideration, varies widely among the cantons. Fig. 1 shows that the employment rates in April 2018, range from 0% in the cantons of Glarus, Jura, Nidwalden, and Uri to 17.5% and 15.2% in Graubünden and Obwalden, respectively.

“In April 2018, the employment rate of N status asylum seekers who are employable ranged from 0% in the cantons of Glarus, Jura, Nidwalden, and Uri to 17.5% in Graubünden.”

Fig. 1: Employment rates of asylum seekers, by canton, in April 2018

<table>
<thead>
<tr>
<th>Percentage points</th>
<th>1st quartile</th>
<th>2nd quartile</th>
<th>3rd quartile</th>
<th>4th quartile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment rate</td>
<td>0 - .3</td>
<td>4.5 - 7.1</td>
<td>8.8 - 17.5</td>
<td>24</td>
</tr>
</tbody>
</table>

Data source: Swiss State Secretariat for Migration.

The imperative to reduce the dependence of asylum seekers on social welfare can be addressed through facilitated access to the labor market. According to existing research, there is no evidence that this would cause more refugees to seek asylum in Switzerland. However, more research is required in this area.

What is meant by...

...employment rate
This figure indicates the number of asylum seekers who are employed as a percentage of the total number of employed and unemployed asylum seekers.

...N status asylum seekers
According to the Swiss State Secretariat for Migration, these are defined as «persons who have submitted an application for asylum in Switzerland, and who are currently in the asylum process. During the asylum process, they are, in principle, entitled to reside in Switzerland. Under certain conditions, they may be permitted to work.»

Differences in Labor Market Access Impact Employment Rates
The cantons do not only differ in their employment rates but also in terms of the openness of their labor market to asylum seekers. These differences at the cantonal level are documented by a survey conducted by the Swiss Forum for Migration and Population Studies (SFM) in Neuchâtel. Using the data obtained from the SFM survey, we have studied the question of whether there is a systematic link between the openness of labor market access and the employment rates of asylum seekers, or if other factors explain the differences in employment rates. The results show that the differences in rates and regulations are systematically linked with the employment rates of asylum seekers. In cantons in which there is no extended employment ban, employment is not restricted to specific sectors, the process of issuing work permits is short and uncomplicated, and where there are no additional deductions for any income from paid work have a significantly higher fraction of employed asylum seekers. The difference in the employment rates between the most inclusive and the most restrictive regimes was 11 percentage points. This figure refers to the year 2011, when the average Swiss employment rate for asylum seekers was 8.4 percent.

Labor market Regulations Cause the Discrepancy in Employment Rates
Since asylum seekers are unable to choose where they live, and during the relevant period cantons of residence were assigned on a random basis, the relationship cannot be attributed to asylum seekers with a particular level of educational qualifications preferring and moving to a particular canton within Switzerland. The statistical analysis also shows that neither the local labor market situation, nor the labor market mix account for the differences in employment rates. Furthermore, the impact of inclusive labor market access is independent of the level of social welfare benefits and the utilization of integration programs. Therefore, the structure of social welfare benefits in and of itself does not provide an explanation for the differences in employment rates. In fact, integration programs actually appear to be associated with slightly negative impacts on labor market participation. In the short term, this is to be expected, since asylum seekers who are attending an integration program cannot participate in the labor market.

Fig. 2: Impact of an open labor market on the employment rate of asylum seekers, taking account of linguistic proximity to their assigned canton

Remarks: Average impacts in the years 2011–2014. For linguistic proximity of asylum seekers to the host canton, there was a division into four equal groups, with asylum seekers in the fourth quartile having the greatest linguistic distance. Examples: Asylum seekers from countries with a relatively low linguistic distance from the main language in their canton of residence (1st quartile) have an employment rate that is 12 percent higher with an open labor market. Asylum seekers from countries whose language is substantially different from the language in the canton of residence (4th quartile) do not have higher employment rates in cantons with an open labor market.