

International Center for Enterprise Preparedness (InterCEP)

## Large-Scale Involuntary Migration: Causes & Impacts on Urban Areas

### Web Forum

On August 16, 2016, Panu Poutvaara, PhD, Director of the Ifo Center for International Institutional Comparisons and Migration Research and Professor of Economics at the University of Munich, led a discussion on mass migration and its impacts on urban areas. The discussion focused on the current migration stream from Syria and other countries in the Middle-East and North Africa to Europe, with a special emphasis on Germany.

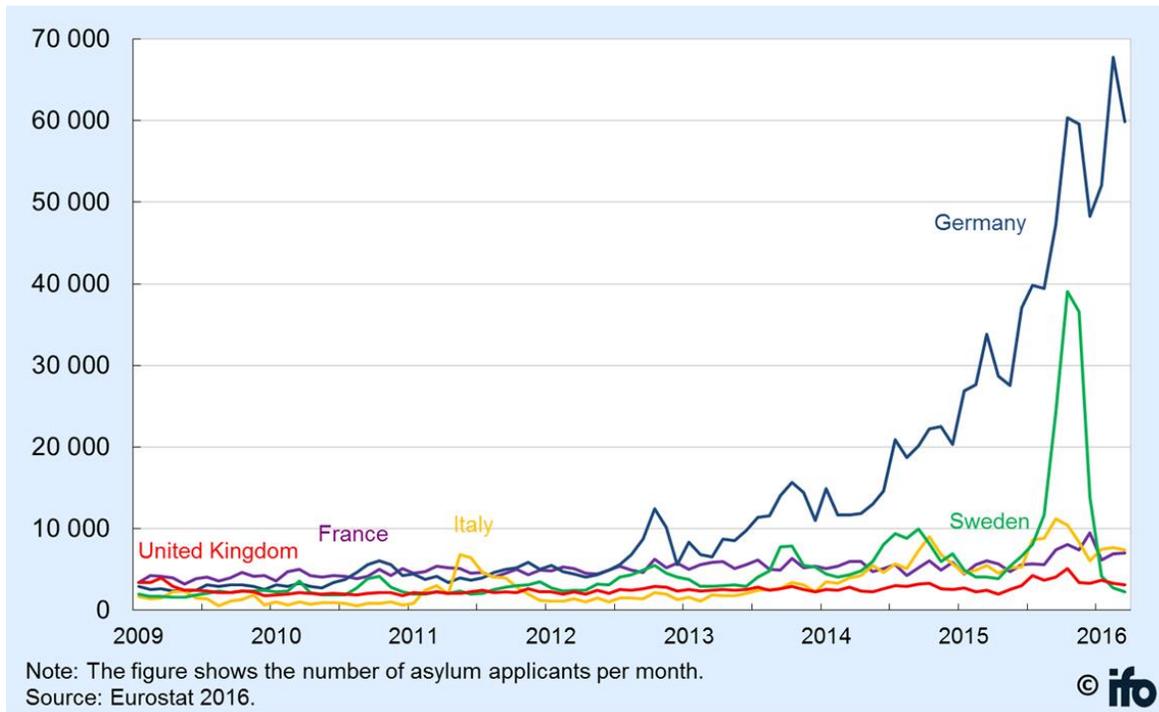
The first part of the forum framed the discussion from the perspective of welfare economics and a number of insights were presented about who gains and who loses from migration. In a country like Germany, which currently faces a demographic burden due to its aging population, immigrants that participate in the labor force can improve overall welfare. In general, when immigration is based on productivity differences it can lead to welfare gains. However, some sectors of the labor market, such as natives with similar skills as immigrants, can be worse off. Overall welfare gains from migration can be reduced or eliminated by regulations that interfere with the labor market and prevent wages to adjust.

Germany saw a dramatic increase in net immigration in 2015. The number of immigrants was about 1.5 million which represents a rate of net immigration of 1.9%. As a comparison, immigration to the United States peaked in 1907. In that year, net immigration was 1.5% of the total population. Around that time, in 1910, 15.5% of the total population in the United States was born abroad. In Germany, at the beginning of 2014, 12.1% of the population was born abroad. So the current immigration stream in Germany is similar to that of the U.S. when immigration was at its highest there.

Figure 1 shows the number of asylum seekers in the five countries in Europe that received the most asylum applications for the period January 2009 to March 2016. Germany and Sweden received the largest number of asylum applications in 2015. A large percent of asylum seekers are young and this is good because it makes it easier for them to learn the language and become integrated in the labor market. The skills of some of the asylum seekers may be relatively poor which limits their ability to immediately participate in the labor market. Hence, it is important to provide more training – in addition to language – to bring them up the level that would allow them to participate in the labor market.

It is very difficult to assess whether the new migrants have skills that are similar to the average for the population in their country of origin due to data scarcity. Given differences in the education systems of European countries and the country of origin of many of the recent immigrants, it is important to provide training to learn a new trade.

Figure 1. Number of asylum seekers in the five countries in Europe that received the most asylum applications (January 2009 to March 2016)



In terms of the employment prospects of recent immigrants, it is interesting to note that many companies (about 59% of those surveyed) see a high potential for employing new migrants. But given that the median hourly wage of recent migrants is lower than the average, minimum wage and other regulations may hurt new immigrants' chances to find a job. An important challenge facing cities and urban areas in several European countries that receive asylum seekers and other immigrants is how to avoid parallel societies. France and Belgium are examples of countries where this has happened with high social costs. This is also related to the challenge of how to find the right balance between security and openness.

The successful integration of new migrants in urban areas is something that the U.S., Canada and Australia have generally been more successful at than many European countries. In Europe, Sweden has had positive experiences in this area as a result of their policy of allocating asylum seekers to different municipalities around the country and providing incentives for them to stay there. This prevents the concentration of newcomers in one area. Such policies may facilitate integration into the labor market

and society, producing better outcomes and reducing resentment among newer immigrants. Germany now has a similar policy so that asylum seekers have to stay in the area where they have been allocated.

What can be done when a country wants to expel asylum seekers that are not well behaved? In the case of a country at war, such as Syria, asylum seekers cannot be sent to their country of origin. Instead, there are agreements with countries such as Turkey and Lebanon that currently have large numbers of refugees to take them back. Spain has had relevant experiences in this area and they have agreements with several North African countries to accept returned illegal immigrants that arrived through the Canary Islands.

The pressure to migrate to Europe is likely to remain in the foreseeable future since the countries of origin of most of the recent immigrants have high population growth rates. A key challenge will be how to integrate refugees and other immigrants into the labor market and society.

#### **Additional Resources:**

International Institutional Comparisons and Migration Research: <https://www.cesifo-group.de/ifoHome/research/Departments/International-Institutional-Comparisons.html>

United Nations Population Division: <http://www.un.org/en/development/desa/population/>

United Nations Refugee Agency (UNHCR): <http://www.unhcr.org/en-us>

Michele Battisti, Gabriel Felbermayr, Giovanni Peri and Panu Poutvaara. 2014. Immigration, Search, and Redistribution: A Quantitative Assessment of Native Welfare, NBER Working Paper No. 20131. Available at: <http://www.nber.org/papers/w20131>