



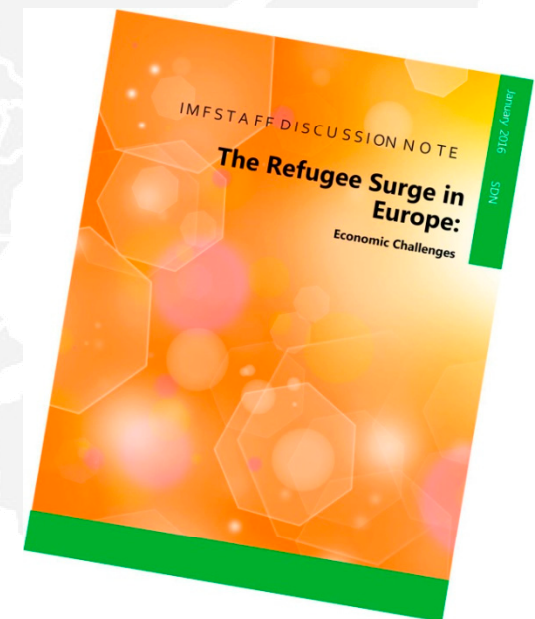
The Refugee Surge in Europe: Economic Challenges

Bergljot Bjørnson Barkbu, IMF

LSE Institute of Global Affairs and Ortygia
Business School Conference on

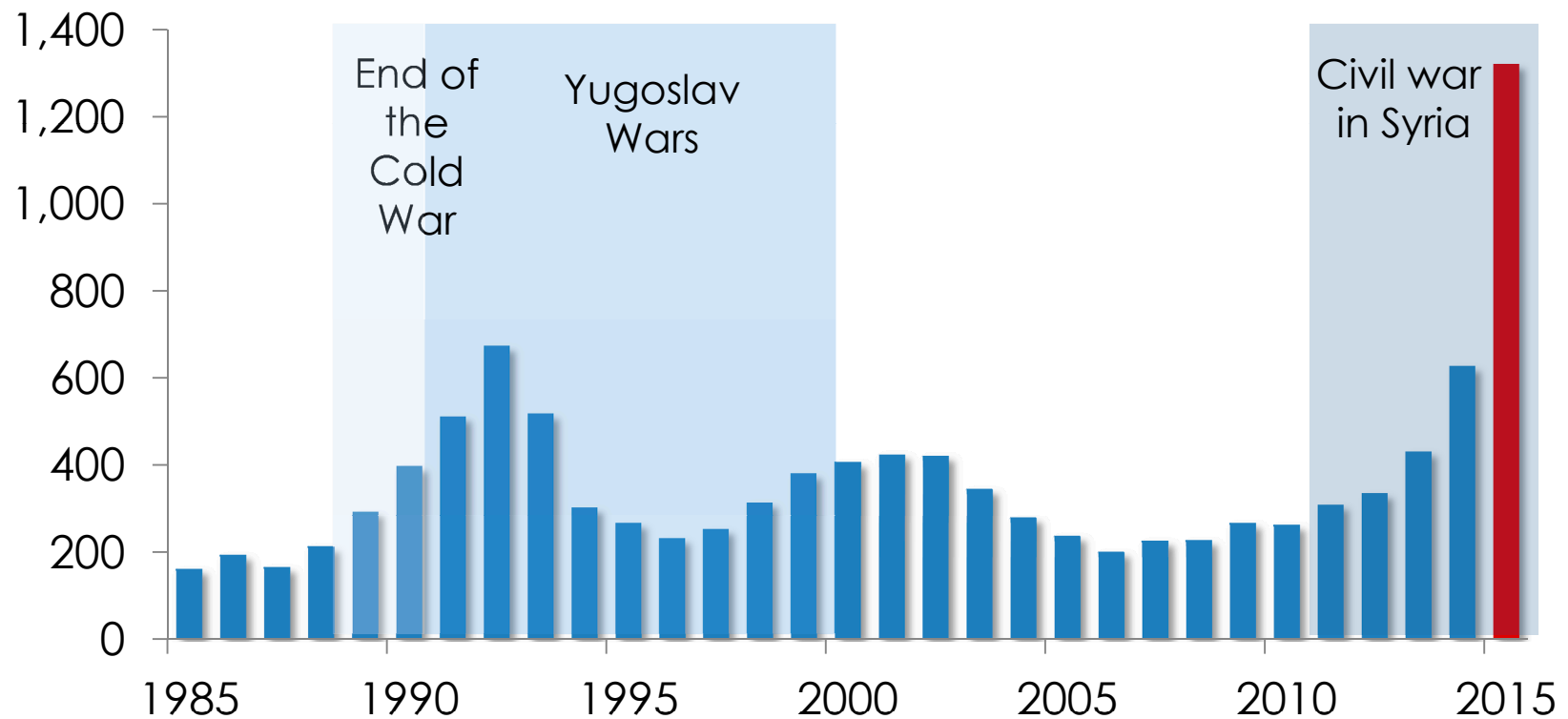
‘Managing Migration – Solutions beyond
the Nation State’

Siracusa, April 18-19



Asylum applications at historic highs

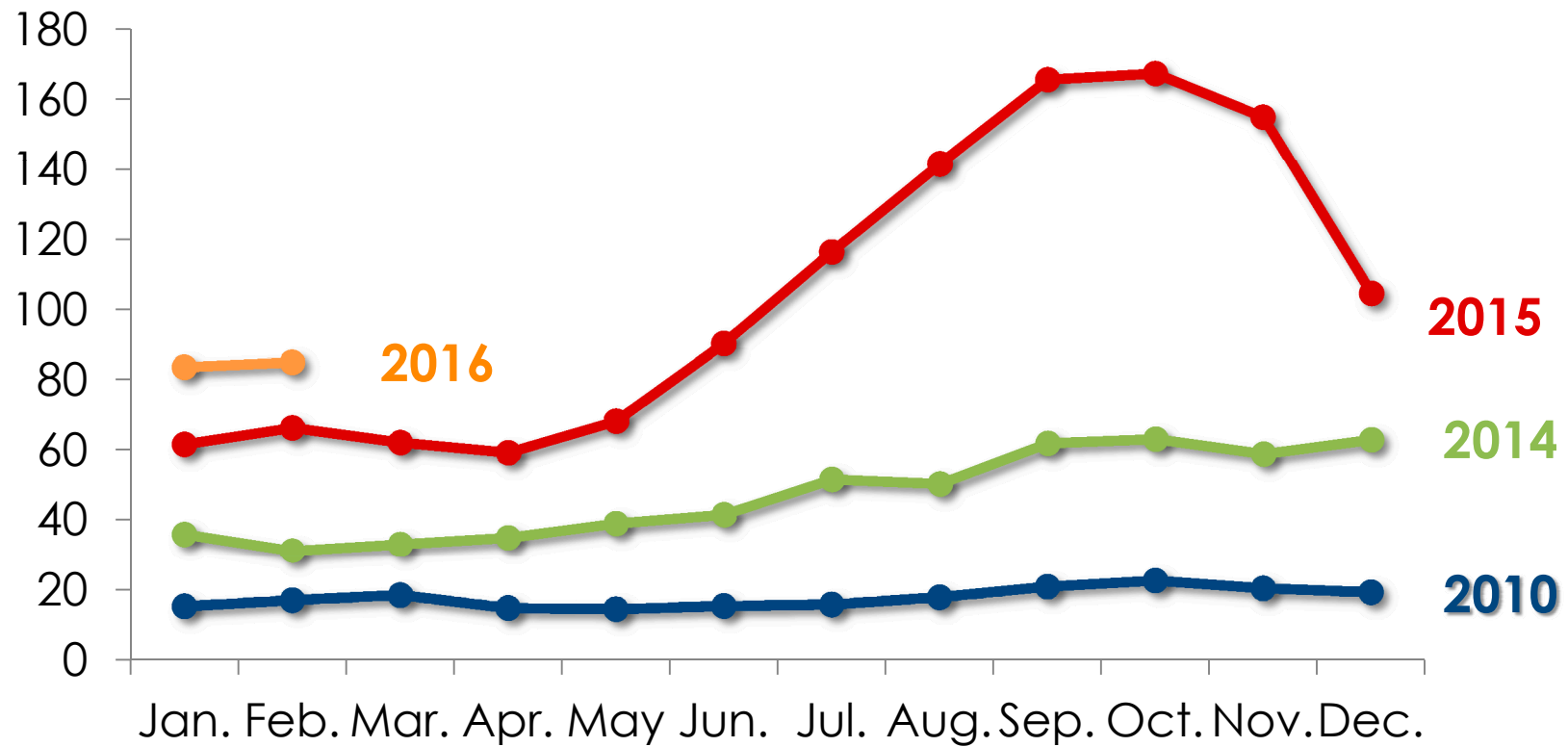
Asylum applications in the EU (in thousands)



Source: Eurostat.

Surge in mid-2015

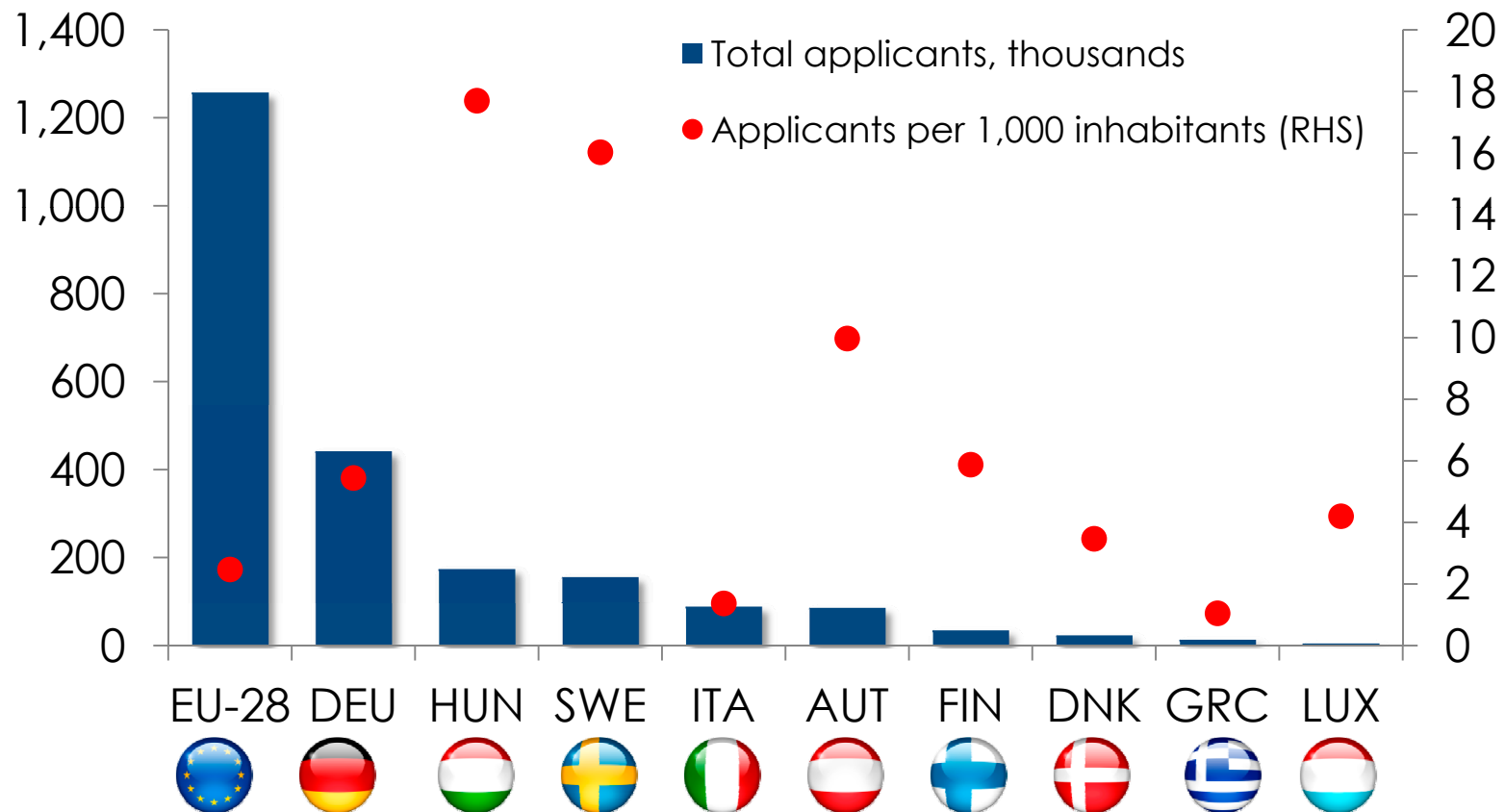
First-time asylum applications in the EU
(in thousands)



Source: Eurostat.

Uneven impact across countries

First-time asylum applications, 2015



Source: Eurostat

Increasing numbers reflect conflicts

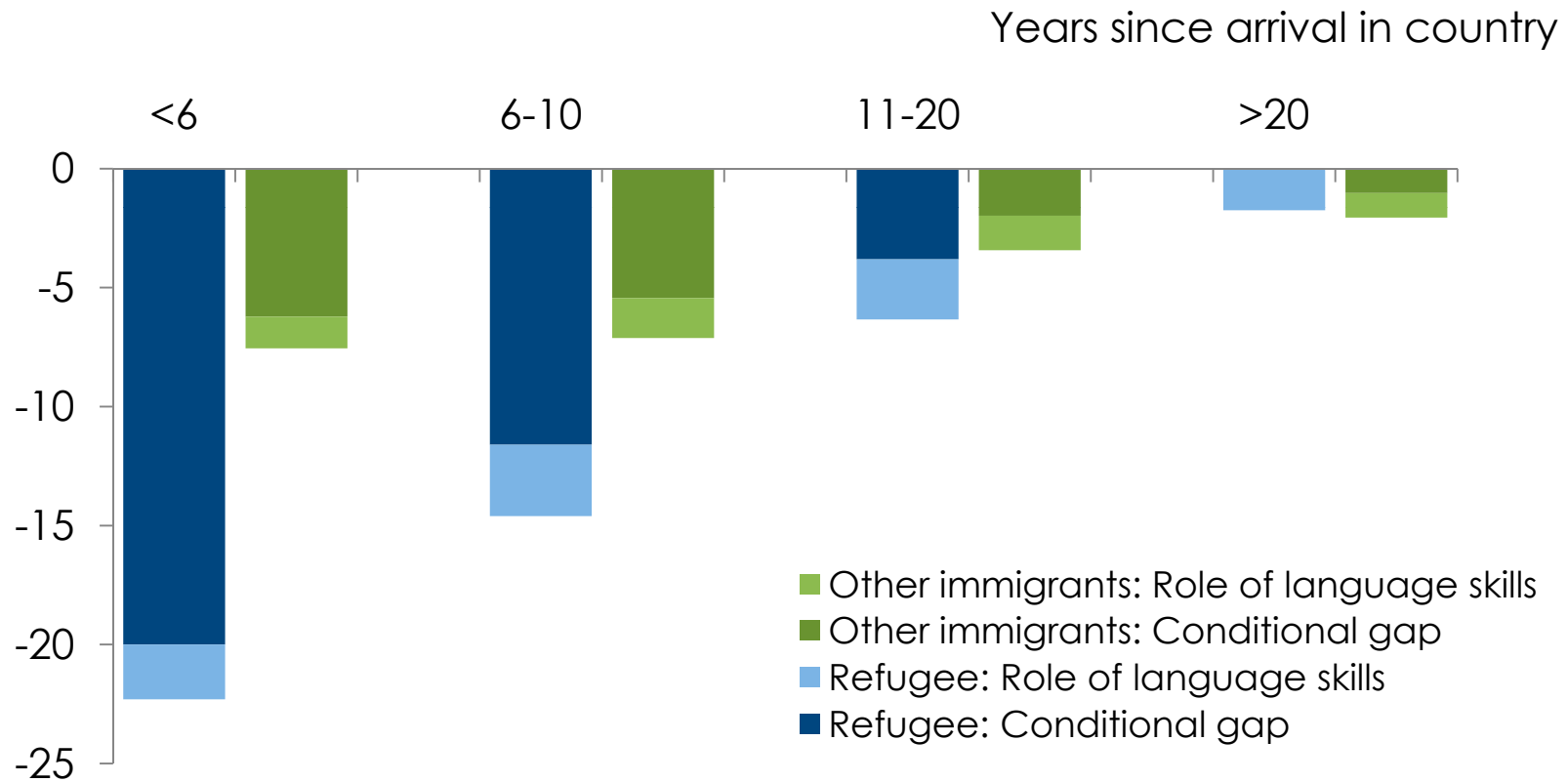
First-time applications in the EU, by country of origin
(in thousands)



Source: Eurostat

Refugees integrate more slowly

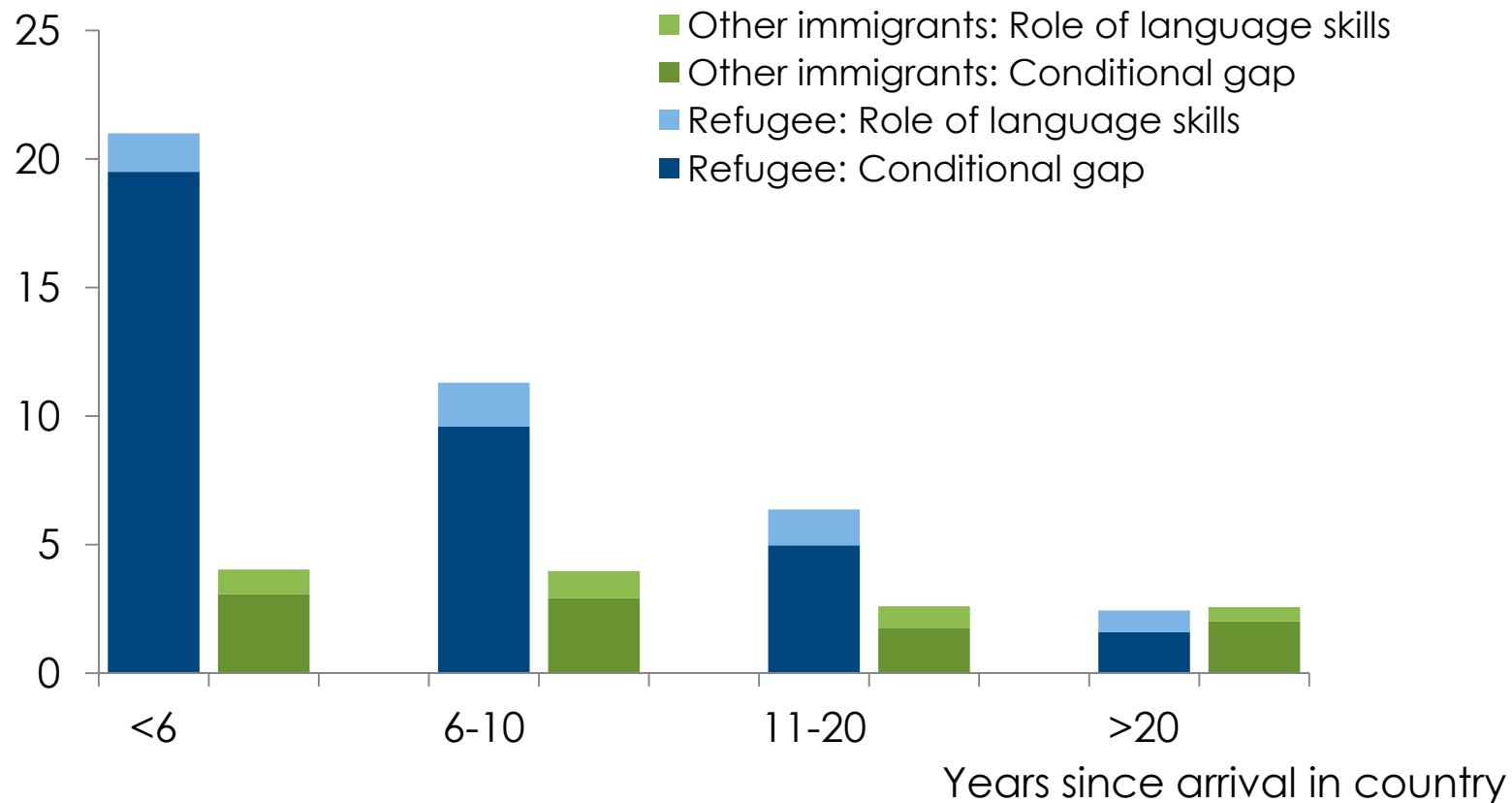
Employment relative to native workers
(in percent)



We proxy the refugee experience using that of immigrants from refugee-sending countries, based on the European Social Survey

Reliance on social benefits is higher

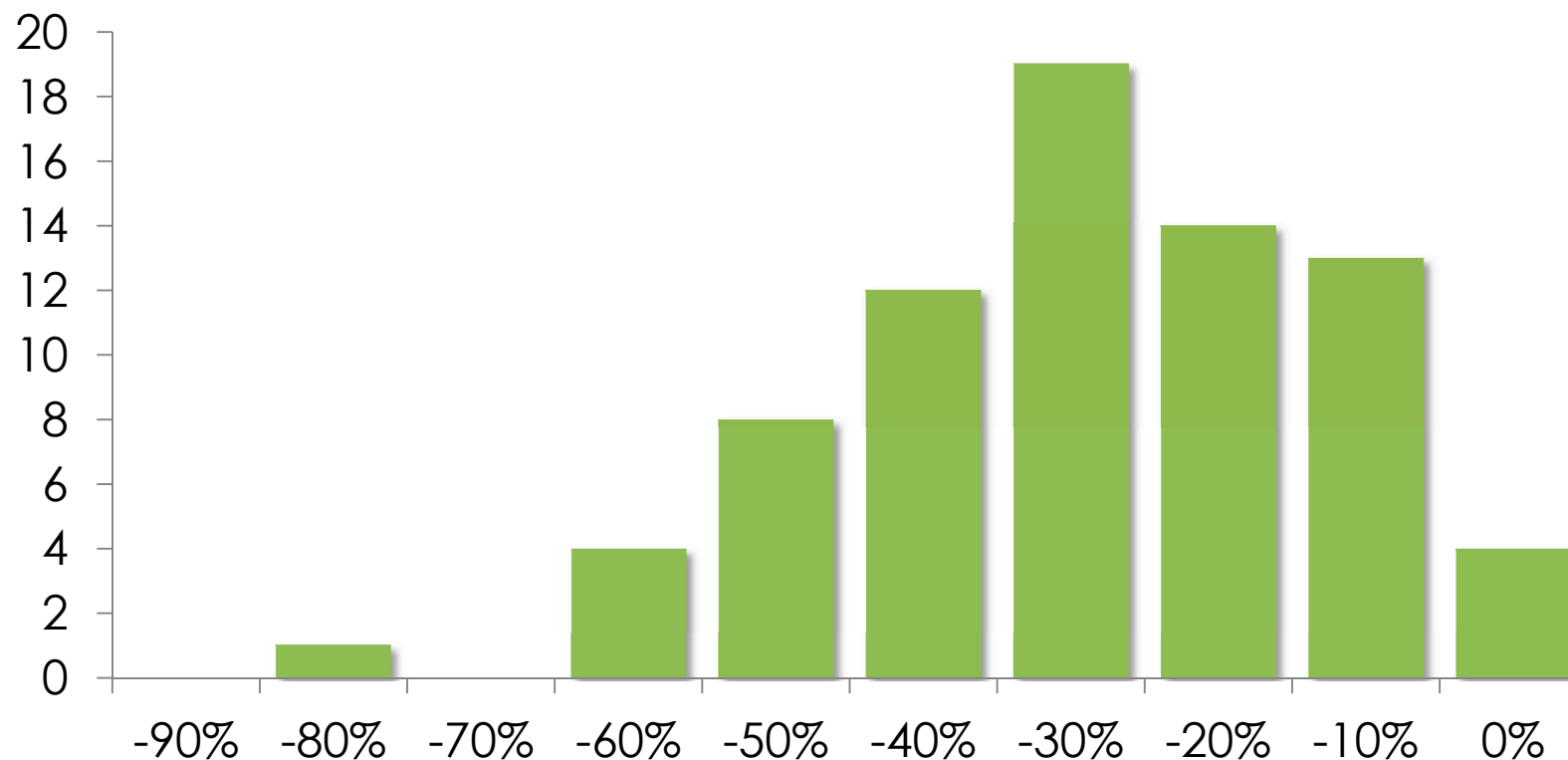
Social benefits as main source of income, relative to natives
(in percent)



We proxy the refugee experience using that of immigrants from refugee-sending countries, based on the European Social Survey

Wage gaps are large

Immigrant wage gap: Distribution of estimate across studies

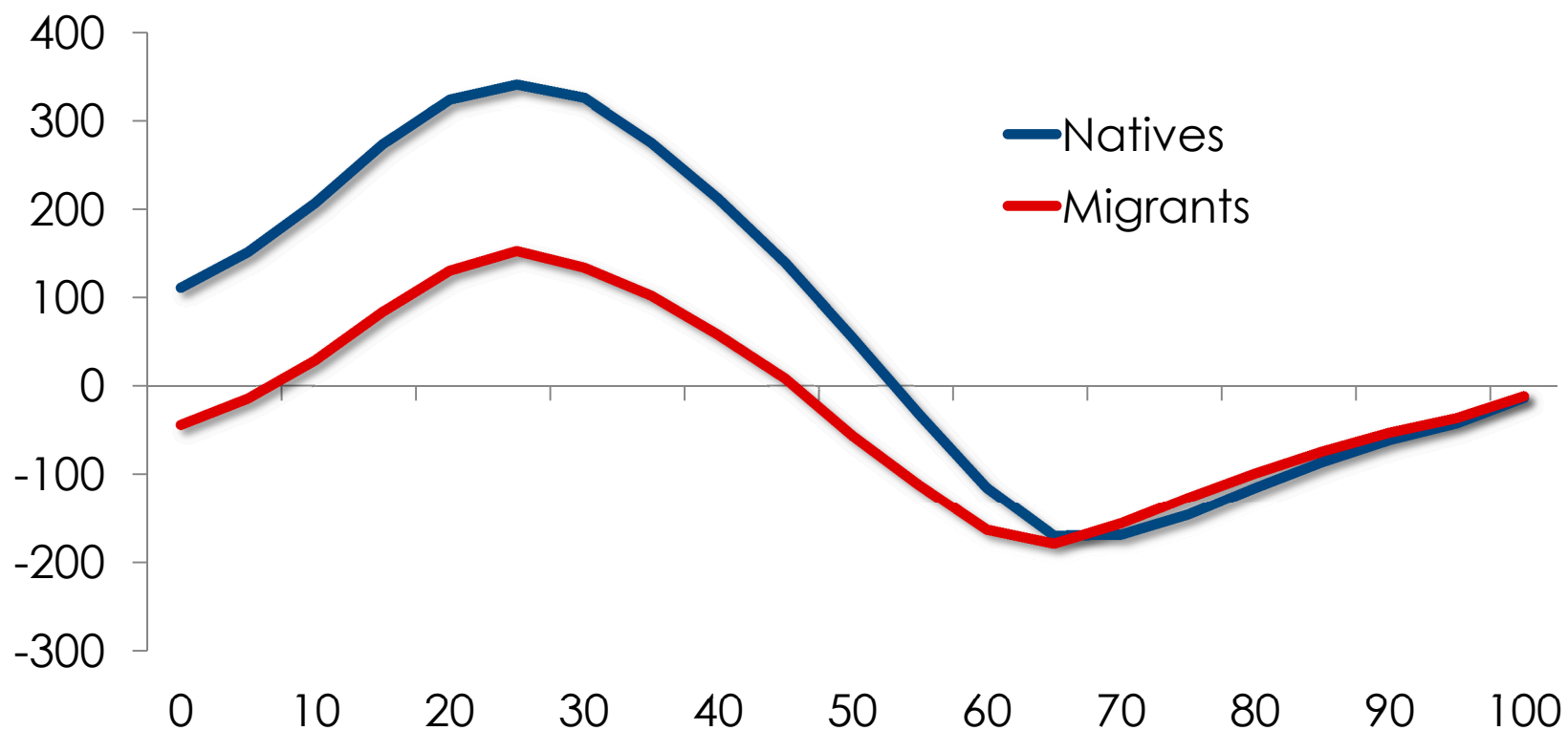


Note: Histogram of migrant wage gap, conditional on observables, based on 75 estimates across 9 studies on earnings assimilation of immigrants in the US, Canada and Europe.

Net fiscal contribution depends on age

Germany: Present value of expected future net fiscal contributions, by age group

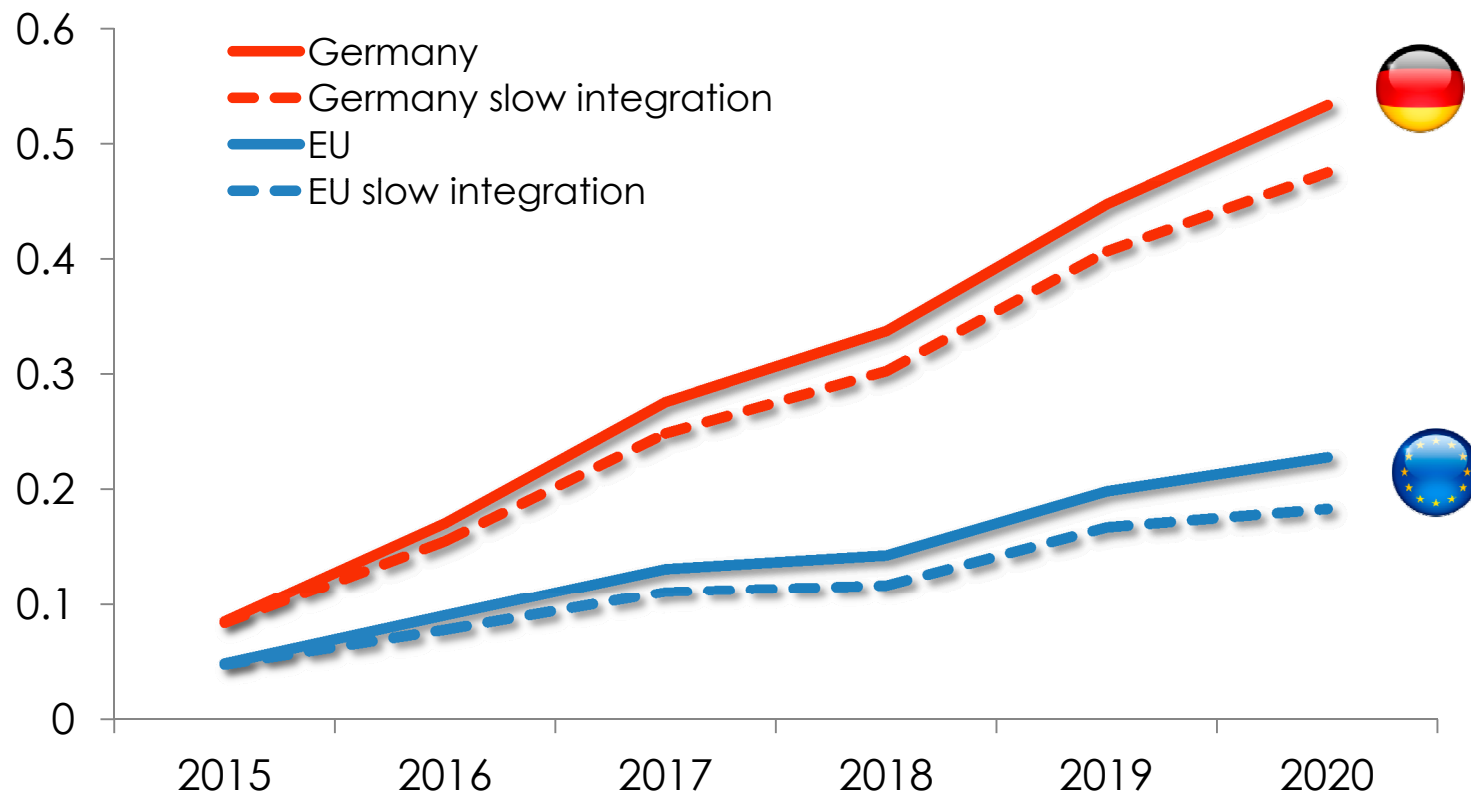
(thousands of euro, generational account approach, base year = 2012)



Source: Bonin (2014).

Growth effect positive, but uneven

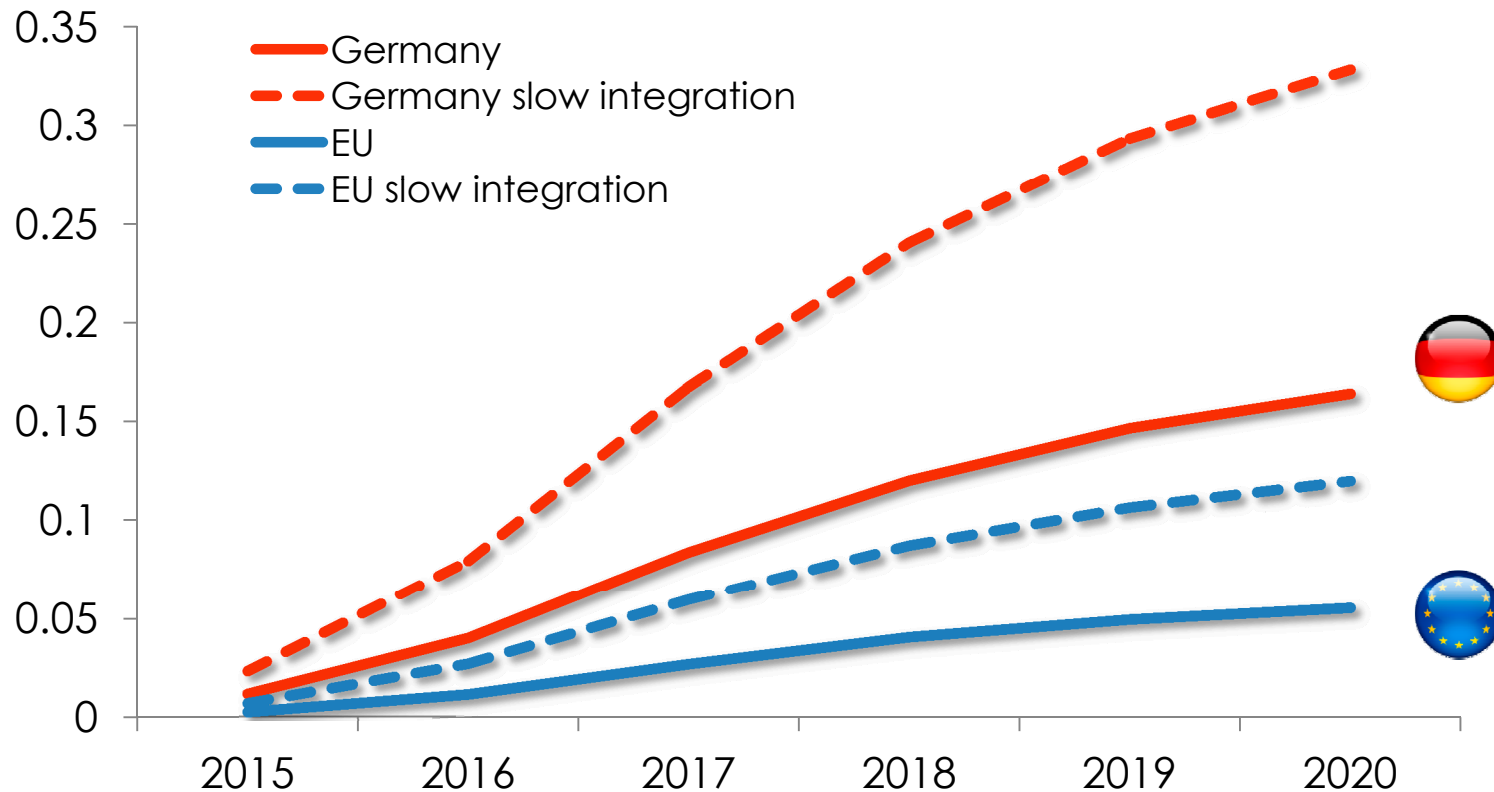
Impact on Output Level
(deviation from baseline, in percent)



Source: IMF estimate.

Speed of integration affects unemployment

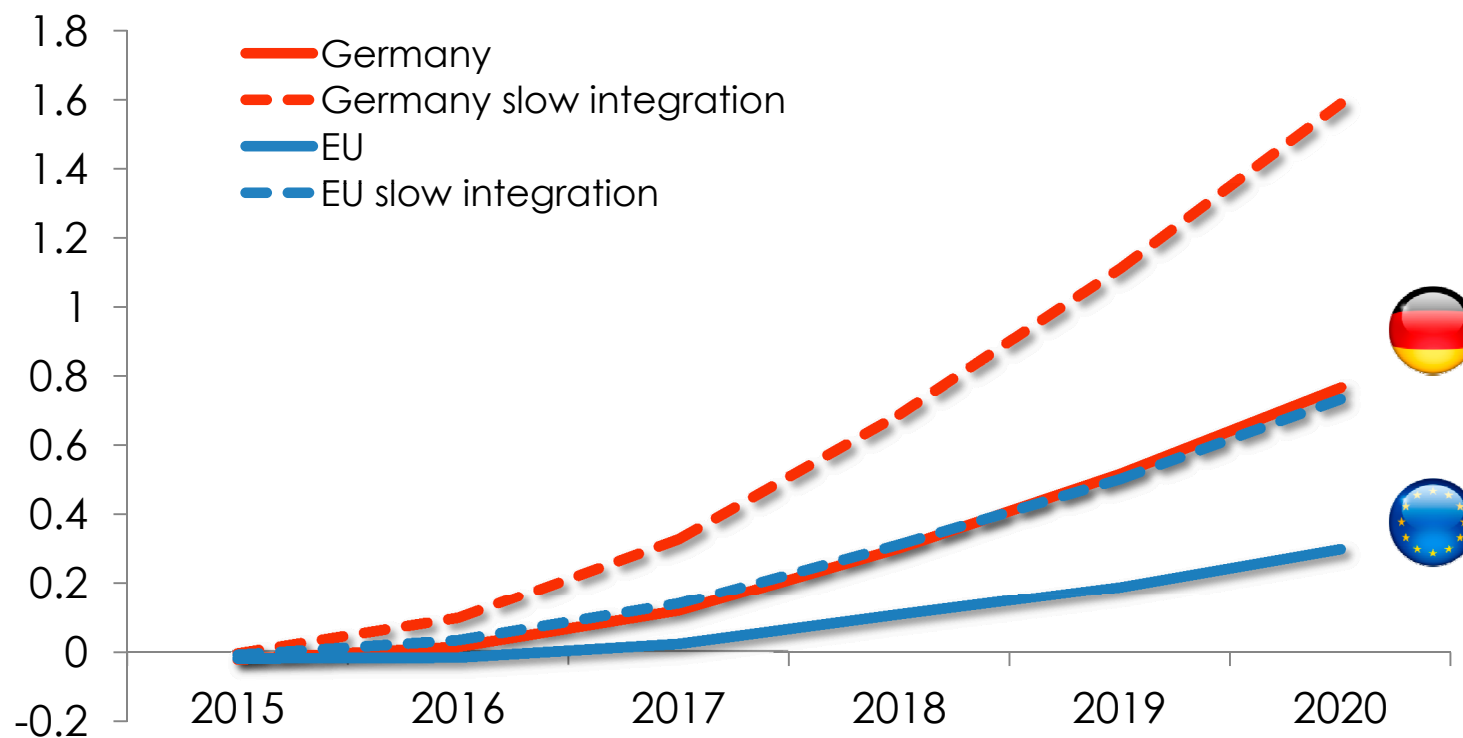
Impact on Unemployment Rate
(deviation from baseline, in percentage)



Source: IMF estimate.

Integration crucial for public finances

Impact on Government Debt/GDP
(deviation from baseline, in percentage points)



Source: IMF estimate.

Labor market integration

Prompt integration of refugees into labor markets is key to favorable economic impact

- Lower barriers to **work eligibility** during application period
- Provide language and job search **training** early
- If **high entry wages** a concern:
 - Temporary wage subsidies for employers
 - Temporary, targeted exceptions to minimum wages?
- Tackle **inactivity traps** by reducing marginal taxes on low-wage workers or tapering social benefits gradually upon entering employment

Product markets

Ease avenues to self-employment and facilitate skill recognition

- **Simplify** regulatory and administrative procedures for new firms
- Provide **start-up support** and reduce effective protection for incumbent firms
- Accelerate **skill recognition**, provide targeted training

Housing and mobility

Mobility to high-labor-demand areas requires affordable housing

- Tackle **bottlenecks to low-cost housing** (e.g., land use regulation, construction permits)
- Financial incentives to build **social housing**
- Facilitate access to **basic financial services**
- Full **geographical mobility** of accepted asylum seekers, within and between countries?

Fiscal policy

How should the short-term fiscal costs related to refugees be handled?

- Many EU countries have limited fiscal space but...
- Most countries should be able to absorb the immediate fiscal cost within their SGP targets.
- Allow **temporary deviations from SGP targets** on a case-by-case basis. Caveat: There are major operational issues.