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MIGRATION & INTEGRATION

A COST-BENEFIT ANALYSIS

REPORT



WELL-INTEGRATED MIGRANTS CONTRIBUTE TO EUROPE

Europeans should think more about the potential contributions refugees and other migrants can make, and not over-emphasise problems related to their arrival.

That was the message from a Friends of Europe Policy Insight debate on 29 March, which focussed on the integration of the unprecedented number of refugees and asylum-seekers who have arrived in Europe recently. The 2.3 million new refugees represent only about 0.45% of the total population of the European Union. But the influx has unleashed populist sentiments, which have put into question Europe's ability and willingness to absorb the newcomers.

But there is little evidence of any economic harm arising from the migrants' arrival. On the contrary, they are arriving at a time when some countries are experiencing a labour shortage. The money they send to their countries of origin help those economies – lessening the probability of the kind of crisis that drove them out in the first place.

MIGRATION BOOSTS OUTPUT

The numbers of migrants are relatively small: migrant flows make up just 0.6% of the world's population, according to a study by the McKinsey Global Institute (MGI). That compares with global trade flows, which represent 30% of economic output; data flows, at 12% of total bits; and foreign direct investment, at 8% of total investment. Moreover, refugees make up just a tenth of the 247 million people living outside their country of origin – 24 million refugees and asylum-seekers in 2015, compared to 5 million students studying abroad.

"We are magnifying something that in the big scheme of things is quite small," said **Jacques Bughin**, Director at the MGI and Senior Partner at McKinsey & Company. "Yes, it's important, but people are rather immobile."

Although those people living overseas represent between 3% and 3.5% of the global population, they account for 9% of the output. Their net value – the amount of economic output above what would have been produced if they had remained in their countries of origin – is about US\$3 trillion, or four per cent of world GDP. However, this could be higher. If migrant workers are well integrated, the net value could rise to \$4 trillion. "We should look at this not as a liability but as an opportunity," said Bughin.

Many people fear that migrants will take other people's jobs or reduce overall wages. "But we have looked at so many studies and found that on average, there is no real pressure on wages coming from the migrants," he said. "In employment, the people most affected by new migrants in a country are actually the second-generation migrants in the country."

Integration is important because many migrants have low or medium skill levels – and they often want to gain more skills by moving abroad. But absorbing them properly into the workforce will take time – from six to ten years, according to MGI. "We should not be worried," said Bughin. "We should have a cold vision of the numbers, and the numbers show that labour mobility is good. But it can take time, and ten years is a period of time for adjustment that most of us don't like."

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Belinda Pyke

Director for Migration, Mobility and Innovation at the European Commission Directorate-General for Migration and Home Affairs

Integration depends heavily on the motivations of the new arrivals. In the European Union, about four per cent of the population are third-country nationals, of which ten per cent are refugees. The biggest reason – for more than a third – was family reunification, the second work, and the third study.

“The reason you come here has a big impact on how you integrate,” said **Belinda Pyke**, Director for Migration, Mobility and Innovation at the European Commission Directorate-General for Migration and Home Affairs. “If you’ve come to work, then it’s going to be a lot easier. It’s always worse for women, because often a spouse follows someone and is not in the local labour market. The refugee employment rate is about ten per cent behind others: to an extent they haven’t chosen to come here, whereas people moving for work have chosen to come here. On average, it takes 15 to 20 years to close that gap.”

For their own economic interests, the EU and member state governments should make sure that new arrivals are able to play a full part in the economy. The working age population will decline by 17.5 million by 2025 and 30 million by 2030, Pyke said. “If you say, ‘we need more skills’, that helps make the argument of bringing in skilled workers or people whose skills can be developed. This was why the EU presented an action plan last year on integration.”

Still, she cautioned that overall economic impacts might not be felt in the same way by everyone. “There is always a danger with cost and benefit arguments that these are not shared equally. So it may be globally beneficial for a region to bring in mobile labour, but the effects are different at local level, which might be a reason we have the level of populism we have.”

LOCAL EFFORTS

That’s why much of the important work on integration needs to be done by local governments and other actors. Some cities are playing an important role in helping migrants acquire language and vocational skills so that they do not remain isolated in their communities.

“The national policy in the Netherlands was about discouraging people from coming,” said **Kajsa Ollongren**, Deputy Mayor of Amsterdam. “When the refugee crisis arrived, that didn’t work anymore. They were in asylum centres, and had to spend one or two years there doing absolutely nothing. Municipalities thought, ‘these people are here, and we have to do something.’”

Amsterdam thought the time could be used to educate refugees and help them learn the language. “We told the government that in Amsterdam we wanted to take people in – house them and provide them with a tailor-made programme and not treat everybody the same,” she said. “People all have talents but they are all different. We have people who speak English and who have higher education. We have people who are illiterate. We have such big differences. So this tailor-made approach was very important.”

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Deputy Mayor of Amsterdam

The city also teamed up with partners, such as universities, schools and employers. “We did not say that we were just looking for 2,000 jobs,” said Ollongren. “We dived into sectors and companies to see what they needed. There is a shortage of labour in Amsterdam in the health sector and the hospitality sector, and refugees are interested in taking these jobs. It has really worked. The number on social welfare is too high, and you cannot change this overnight. But I hope that this is the right approach and that in a couple of years’ time we will really see the results.”

Another important factor is refugees’ individual talents. **Paul Mbikayi** is Director of the Refugee Talent Hub in Amsterdam, which builds partnerships with businesses, governments, academic institutions and NGOs in the Netherlands, aiming to connect refugees with employment and training opportunities. He arrived in the Netherlands from Congo unable to speak Dutch, but able to speak French.

“I asked a school about the possibility of teaching French, but parents went to the school administration and said they did not want their kids taught by a refugee. So I said to the management: ‘Please give me two months, and if the kids don’t speak French at the end of that, I will stop.’” After two months, parents started telling the school administration that their children were speaking French. “From that moment on, I did not teach just French, but also mathematics. Every refugee has a talent, so when we are trying to integrate refugees, we should look at what they are bringing.”

Dutch companies have played a role in integration, according to Mbikayi. “We believe that integration for refugees goes smoothly when they have a job,” he said. “I am trying to convince companies not to think about what they want but what they need from the refugees.”

On the civil society level, one contribution to integration for women is the collective ‘From Syria With Love’, which was founded in 2016 in Belgium to empower women who had recently arrived from Syria to share their culture and background with others.

“I believe that it is most difficult to integrate for housewives, because they have no reason to look for a job or go outside their comfort zone,” said founder **Yara Al-Adib**. “So, if we give them a job of cooking, which they do all the time anyway, they can turn themselves into business people. It could work with anything – sewing, for example. It was very far from their mindset, and they said we could never make it happen. It worked because I myself had been a refugee, but had successfully integrated. They needed someone to believe in – someone who had been in their shoes at one time, who could be a role model.”

The group, which is run by four people, started through a Facebook page, meaning it did not need a budget. “Within one week, people were calling with orders for catering,” said Al-Adib. “It is really easy to implement. Another group in Belgium has started, and I hope more cities in Belgium and outside do so too. The beauty of it is, it is so simple. It is really just cooking. And while cooking, you can talk about politics and society or just gossip.”

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Head of Portfolio and International Business at Siemens Professional Education

BUSINESSES NEED WORKERS

Business can see the upside of migration because of the growing labour shortages in some countries. “Europe has to wake up to the harsh reality of the demographic changes happening,” said debate moderator **Dharmendra Kanani**, Director of Strategy at Friends of Europe. “We are getting older and we haven’t got as many young people in the labour market. Who is going to pay the tax and welfare bill? We have to be clear about the impact of not allowing more and better migration into the EU.”

Some of Siemens’ facilities are close to refugee camps in Germany, which has encouraged its employees to become engaged with their needs, said **Jürgen Siebel**, Head of Portfolio and International Business at Siemens Professional Education. “We asked strategically: What are we actually good at?” he said. “What could we provide that we are good at? As a company, we are good at education – particularly workplace apprenticeships and vocational education. We also believe this is one of the most powerful instruments of inclusion.”

Last year Siemens started a pilot project consisting of a six-month vocational pre-qualification. This scheme took in 64 refugees aged 16 to 28 from seven countries in four locations across Germany. They learnt German as well as work skills, and each refugee was supported by a buddy apprentice from the local training centre. More than half the participants went straight on to apprenticeships at Siemens or other companies, and the rest continued education or training in another form, or else are applying for positions at other companies.

“This exceeded our expectations, and led us to extend the programme this year to 100 people in six locations,” said Siebel. “The benefits are clear to me, but the cost is high. The loyalty and productivity of home-grown apprentices pays off in the long run. Siemens received up to 15% public funding for the programme, but if employers provide training beyond their own workforce demands, then the state will have to provide far more significant funds to finance these kinds of programmes.”

Siebel believes the state will decide that the social benefits are worth it. “If we want to integrate young people from any background – refugee or not – into society, we have got to give them employability,” said Siebel. “If we don’t do anything, the cost later on will be far higher. Lack of employability is actually worse than lack of employment, because it’s a social time-bomb.”

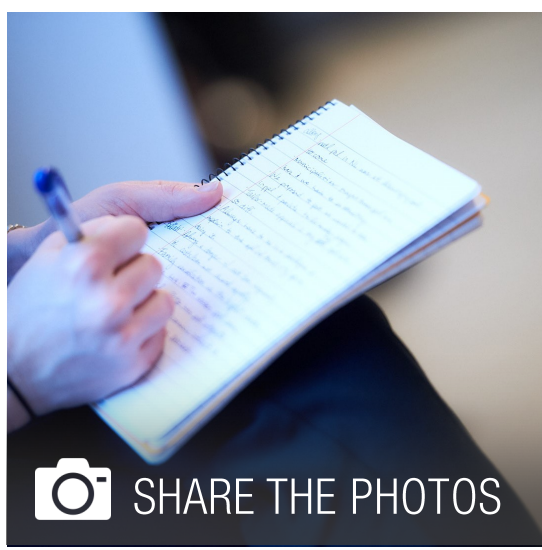
CONCLUSION

Though fear of migrants has contributed to a rise in populism over the past couple of years, data shows that migrants do not have a damaging impact on the jobs market or economies of their arrival countries. On the contrary, migration appears to boost output. As European societies age, migrants could be an important source of labour in future. But to make the most of their talents, business and governments at all levels need to train and prepare migrants for the workforce.



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Director of Strategy at Friends of Europe



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