Labor Market Integration, Local Conditions and Inequalities: Evidence from Refugees in Switzerland

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Introduction: Motivation

- Recent ‘refugee crisis’, largest since the end of WWII
- The process of economic integration of refugees and how it is affected by the interplay between policies and local contexts are still not fully understood
- Switzerland provides a unique setting to examine these questions
  - A multilingual and multicultural society
  - One of the European countries hosting the largest number of refugees per capita
  - A long history of receiving asylum seekers
  - One of the most coherent refugees-related policies among European countries
Introduction: Paper in a Nutshell

- Focus on the effect of forced displacement on refugees’ integration and labor-market outcomes along different dimensions: gender, socio-demographic characteristics
- The role of initial local conditions and their subsequent effects on the trajectory of economic integration
- Causal identification based on random assignment of asylum seekers across cantons
- Original empirical analysis — A unique dataset
  - Based on the Swiss administrative records and social security data, provided by the Swiss Federal Statistical Office
  - Includes the universe of refugees & migrants in Switzerland 1998–2018
  - Presents longitudinal dimension ⇒ allow to follow individuals over time and examine their labor-market outcomes and career trajectories over the life-cycle, comparing refugees to the host population and other migrants
Integration of Refugees in Switzerland

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Introduction
Context
Research Design
Results
Concluding Remarks

Context: Current Allocation Process of Refugees

At entry on Swiss territory
File asylum application to the federal authority SEM
Obtain N permit

Federal
Accommodation at a national refugees’ center, up to 140 days

Cantonal
Random assignment to a canton by SEM, according to quotas

Decision from SEM
Negative decision
Leave Switzerland
Judged impossible to leave: F permit (temporary admitted refugee)
Positive decision
B permit (recognized refugee)

- Difficult to change the canton for N & F holders
- F holders can work within the canton
- Free to work and relocate for B holders, but low inter-cantonal mobility
Data

- A unique longitudinal dataset covering the universe of refugees and migrants in Switzerland over 1998–2018, combined from three administration datasets
- Analytical sample: all refugees and migrants that arrived from 1998; working age (18–64); arrived after the age of 17; restrict migrants to those from non EU-15 countries
- Unemployment rate: SECO data, measured yearly at the cantonal level
- Co-ethnic network: log number of co-nationals, measured at the canton level
- Attitudes towards migrants and natives in the canton of arrival: share of votes in each canton that express a preference for a more restrictive regulation of migration and asylum, from 21 referendums between 1996 and 2020
Results: Overview

- Trajectories of Labor Market Integration
  - Comparison of employment probabilities between
    - Refugees and natives
    - Refugees and non-EU15 migrants

- Role of Initial Conditions
  - Labor market conditions
  - Co-national networks
  - Natives’ attitudes toward refugees and migrants
Results: Overview

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- Role of Initial Conditions
  - Labor market conditions
  - Co-national networks
  - Natives’ attitudes toward refugees and migrants
## Results: Initial Conditions

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<td><strong>Unemployment rate</strong></td>
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<td>-0.0225***</td>
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<td><strong>Network</strong></td>
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<td><strong>Natives’ attitudes</strong></td>
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Dependent variable is Employment dummy.

Included fixed effects: Country of birth; Arrival year; Canton of arrival; Current canton $\times$ Current year.

Time-varying canton controls: log of population, log of real median wage

All regressions also include age, age squared, gender, marital status

Standard errors are clustered at the level of Canton of arrival $\times$ Year of arrival.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Initial conditions: attitudes toward refugees/migrants

Interpretation of results

- A change toward more restrictive attitudes over time in a canton leads to higher employment rates of the successive refugee cohorts.
- Our results do not imply that a refugee who is assigned to a “hostile” canton would fare better in terms of future employment than a refugee who is assigned to a more “open” canton.

Economic significance of results

- A refugee who arrives when attitudes are rather open (10\textsuperscript{th} percentile of the attitudes distribution) has a 7 percentage points lower employment probability than the refugee who arrives when attitudes have become more restrictive (90\textsuperscript{th} percentile).
Interpretation of results: role of attitudes

Our indicator of attitudes is based on popular votes

- **Cross-section variation**: differences between cantons for a given vote
- **Variation over time**: proposals up for vote are “multidimensional” and their content changes over time

Estimation results including mean attitudes (over time for each canton) and deviations from the mean

- **Cross-section variation**: *negative* effects of restrictive attitudes on refugees’ labor market integration
- **Variation over time**: *positive* effects of restrictive attitudes on refugees’ labor market integration
Effect of natives’ attitudes on refugees’ employment probabilities

- **Cross-section variation:**
  Migrants/refugees perceived as cultural opportunity or threat
  Open attitudes toward migrants and refugees facilitate private and professional contacts between natives and refugees and may reduce hiring discrimination.

+ **Variation over time:**
  Shift towards activation policies and greater conditionality
  When natives’ attitudes become more restrictive over time, refugees could feel pressured to increase their integration efforts and search more intensively for a job.
Concluding Remarks

Key findings: initial conditions

- Significant negative effects of initial unemployment rates on employment probabilities of refugees

- On average, no significant effects of initial co-ethnic networks (but significant positive effects for female refugees)

- Effects of initial (restrictive) attitudes toward refugees and migrants
  - Variation over time: positive
  - Cross-section: negative