

ECONOMIC INTEGRATION OF REFUGEES IN GERMANY

POLICY PATHWAYS TO A SOLUTION

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Disclaimer

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Honor Statement

On my honor as a student, I have neither given nor received unauthorized aid on this assignment.


 A handwritten signature in black ink, appearing to read "Barhe".



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Acronyms

- AfD** – Alternative für Deutschland (Alternative for Germany)
- Asylbewerberleistungsgesetz** - Asylum Seeker's Benefits Act
- AMIF** – Asylum, Migration and Integration Fund
- BA** – Bundesagentur für Arbeit (Federal Employment Agency)
- BAMF** – Bundesamt für Migration und Flüchtlinge (Federal Office of Migration and Refugees)
- ESF** – European Social Fund
- EU** – European Union
- GCR** – Global Compact on Refugees
- GDP** – Gross Domestic Product
- UNHCR** – The Office of the United Nations High Commissioner for Refugees

Definitions

Migrant – “A generic term for anyone moving to another country with the intention of staying for a certain period of time – in other words, arrivals that are not tourists or business visitors. It includes both permanent and temporary migrants with a valid residence permit or visa, asylum seekers, and undocumented migrants” (OECD, 2017, p. 20).

Asylum Seeker – “People who have formally applied for asylum, but whose claim is pending. The outcomes of a decision can either be recognition of full Geneva refugee status, the offer of some form of temporary humanitarian protection, or a rejection” (Konle-Seidl, 2018, p. 12).

Refugee – “People who have successfully applied for asylum and have been granted formal refugee status according to the Geneva Convention of 1951 (GCR) or due to the authorizations to stay for humanitarian reasons due to specific national legislation. The GCR definition of refugees is based on the concept of individual persecution and does not specifically address the more general issue of civilian fleeing wars and conflicts” (Konle-Seidl, 2018, p. 12).

Subsidiary Protection – “A person granted subsidiary protection is a person who does not qualify as a refugee, but would risk serious harm if returned to his or her country of origin (protection from refoulement). Under the EU Asylum Qualifications Directive (Directive 2011/95/EU) third-country nationals and stateless persons are eligible for subsidiary protection if they face risk of suffering serious harm as a result of their forced removal from the EU territory. Serious harm is defined as the death penalty or execution, torture or inhuman or degrading treatment or punishment, or a serious threat to their life or person due to indiscriminate violence in situations of war or civil war” (Konle-Seidl, 2018, p. 12).

Executive Summary

Germany is experiencing a large-scale migration crisis. This unexpected and irregular flow of refugees poses tremendous challenges for the country, which is home to more than 1.41 million asylum seekers (Statista, 2018). Germany has implemented a number of strategies to address the overwhelming needs of asylum seekers and support their economic integration. These policies, however, have achieved limited success and the majority of the affected refugees do not have the necessary means to successfully integrate into the German economy by securing employment. Without proper strategies and coordination, the country could face serious economic, social and national security complications.

The goal of a favorable solution is to assist the refugees in entering the labor market. This report provides a recommendation for Germany regarding options to address this problem and promote stability and prosperity in the country. The policy options discussed in this report lists as follows:

1. Let Present Trends Continue
2. Proportionate Regional Distribution System
3. Increase Availability and Differentiation of Language Integration Programs

While all of the listed policy alternatives assist the needs of refugees to a certain degree, it is possible that a combination of the proposed options would achieve the most effective outcome. However, this report will strictly focus on which independent option should be prioritized. The alternatives will be evaluated based on four evaluative criteria: (1) Economic Impact, (2) Effectiveness, (3) Political Feasibility, (4) Administrative Feasibility. The option that scores the highest and provides the greatest benefit in terms of these four criteria is the recommended option. After a thorough evaluation, the analysis shows that Option 3 is likely to have the greatest positive impact on the labor market integration of refugees in Germany. I, therefore, conclude that Germany should increase the availability and differentiation for language integration programs.

Problem Statement

The current economic integration policies, which are critical not only for the refugees themselves but also hold crucial importance for Germany, have achieved limited success. In 2017, only 20 percent of the refugees held jobs in the nation (Romei et. al, 2017). Without increasing the efficiency of labor market integration initiatives and promoting active engagement on behalf of the host country, the economic burden of dealing with the influx of people will become damaging and unmanageable. It is therefore critical for Germany to implement and reform policies that will further boost the labor market participation of the refugees in the country.

Background

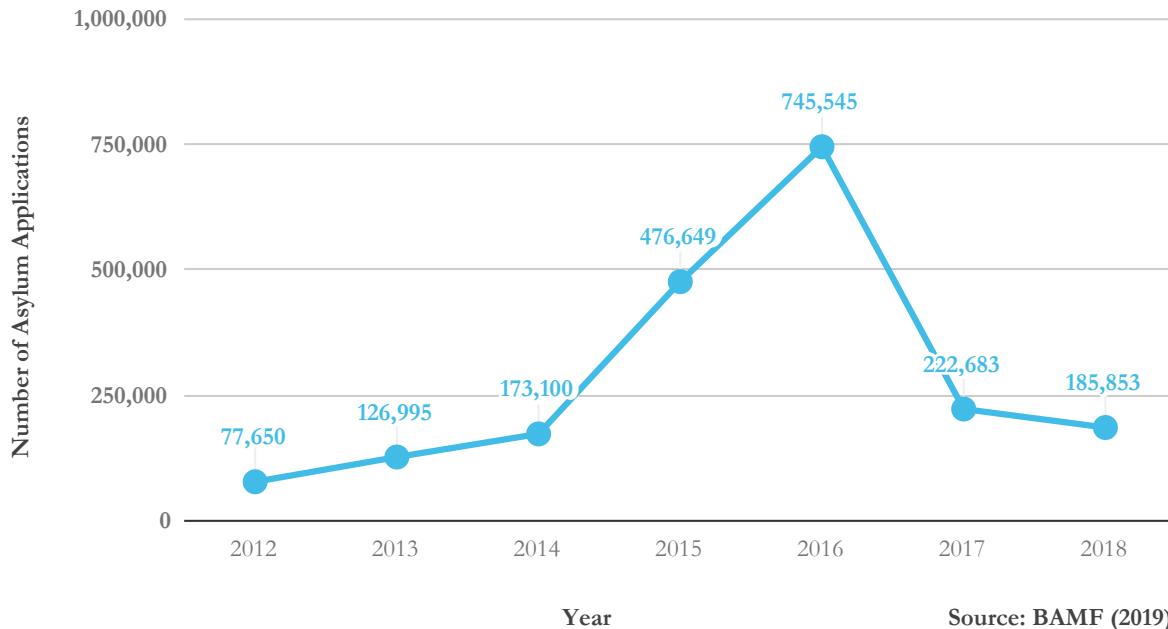
Historical Precedent of Migration

Historically Germany has been a prime destination for migrant influxes for decades. One of the most important examples of these events began as a result of the guest worker programs initiated after the end of the Second World War (Leiken, 2005). The goal of this project was to temporarily enable foreign workers to reside and work in a host country in order to counter-balance the workforce shortages caused by the aftermath of the devastating war. Workers under the program were meant to speed up the reconstruction process of critical infrastructure in Germany, which benefitted both parties temporarily, as the migrants were provided with shelter and wage for their labor. The workers usually performed industrial, agricultural, or domestic work. Other participating nations in Europe included Austria, Belgium, Denmark, France, Luxembourg, the Netherlands, Sweden, Norway, Switzerland, the United Kingdom, and also Czechoslovakia, Bulgaria, Hungary, and Poland. The vision of the creators of the guest worker program was that after the temporary contracts of the workers expired, and they were compensated for their jobs, they would leave their host countries in order to move back to their homeland. However, it soon became apparent that most of the guest workers had no intention to leave, and some even opted to bring their relatives with them. Forcibly removing the workers from their host societies was unfeasible, simply because their numbers were around 8 million (Koikkalainen, 2011). The participating countries faced tremendous obstacles to deal with, likewise to the challenges currently facing Germany today. Despite some similarities; however, the current crisis differs not only in its scale but also in that asylum seekers come from countries where the outlook of return is profoundly limited.

The Current State of the Migration Crisis

The current number of asylum seekers and people entitled to protection in Germany is still by far the highest in Europe, with 1.41 million in total according to The Office of the United Nations High Commissioner for Refugees (UNHCR). This number is 43 percent of the total applications in the European Union (Eurostat, 2018). According to the most recent data, Germany is still the main destination for asylum seekers in Europe. At the peak of the crisis in 2016 the nation received 745,545 asylum applications, the largest number in the European Union by far (Grote, 2018, p. 15). In 2017, the Federal Office of Migration and Refugees (BAMF) recorded 222,683 asylum applications, which was 28 percent of all asylum applications as of the 3rd quarter of 2017 (Konle-Seidl, 2018 p. 8). This number has decreased to 185,853 by 2018 as shown below in Figure 1 (BAMF, 2018, p. 2). The numbers of applications are declining rapidly and they are slowly returning to the average numbers before the Syrian Civil War and other conflicts around the world forced hundreds of thousands of individuals to flee from their homeland.

Figure 1. - Asylum Applications in Germany by Year

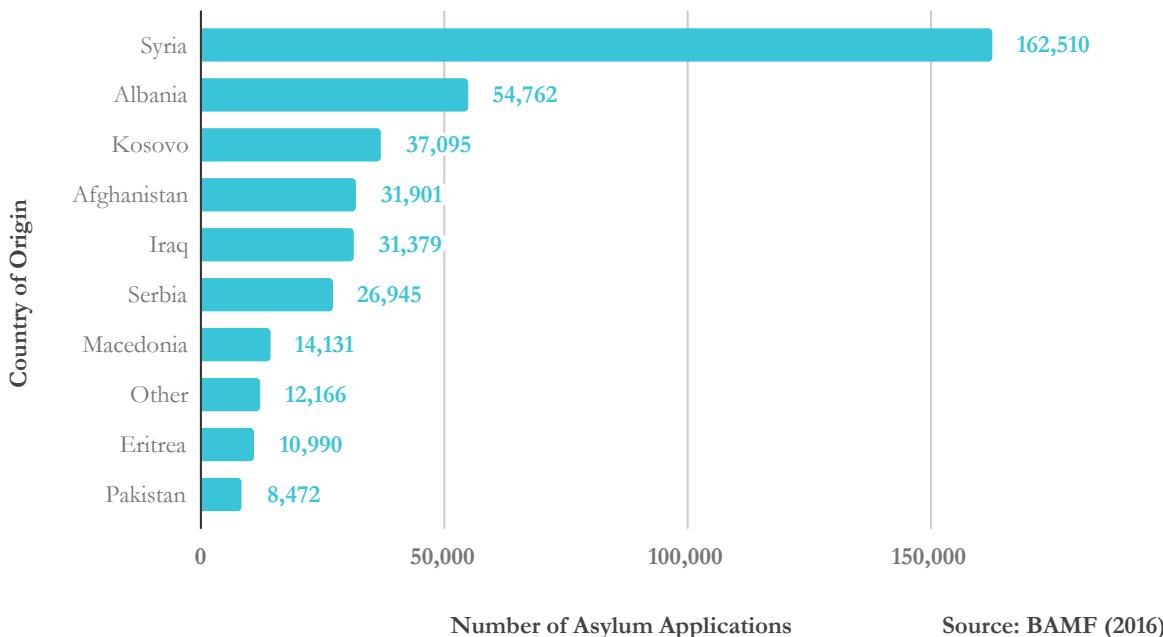


Source: BAMF (2019)

Asylum applicants come from a number of war-torn countries including Syria, Albania, Kosovo, Afghanistan, Iraq and a number of other nations as shown in Figure 2 below. Recognition rates for asylum applications, while still high, have decreased from around 69 percent receiving asylum seeker status in 2016 to 48 percent in the 3rd quarter of 2017 (Konle-Seidl, 2018 p. 8). The drop in acceptance rates has been largely a result of the increasingly diverse composition of the arriving refugees, which poses both administrative and security challenges.

German politics have also been influenced greatly by the migration crisis, the worst humanitarian disaster since the Second World War. Immigration is currently one of the major policy issues in Germany and a number of other countries in the European Union, where anti-immigration parties have gained considerable ground since the beginning of the crisis. Alternative für Deutschland (AfD), a right-wing political party in Germany has achieved noteworthy progress since the party's foundation in April 2013, where they missed the 5 percent electoral threshold in the federal elections only by 0.3 percentage points (Berning, 2017, p. 17). In the 2017 federal election, the AfD claimed 94 seats in the Bundestag, thus becoming the largest opposition party in the German federal parliament (Kaleta, 2017). Much of their success has been credited to the party's ideology that has been known to favor an anti-immigration approach, and the assumed threat immigration and refugee integration poses on the German national identity. As a result of the terrorist attacks committed by jihadist terrorists in a number of European locations, including France, Belgium, and Germany, anti-immigrant standpoints have seen another spike in popularity. Nonetheless, despite this incremental growth in the anti-immigrant sentiment, only 10 percent of German respondents held a negative view towards supporting the refugees (Konle-Seidl, 2018, p. 8).

Figure 2. - Asylum Applications in Germany by Country of Origin in 2015



State-level implementations of integration procedures are largely driven by the lack of a complex European Union-level solution to control and reduce the illegal flow of asylum seekers. Germany's asylum registration structure has two tiers. The first includes individuals who identify as prospective asylum applicants, and these people are registered through the “initial registration of asylum candidates system” also known as EASY (OECD, 2017, p. 20). In this tier, individuals are invited to formally file an asylum request. At the peak of the crisis, the two-tier systems caused massive delays in the asylum seeking process. Germany also has internal protection alternatives in addition to the statuses defined by the GCR and the EU Asylum Qualifications Directive. One of these alternatives is a “tolerated stay”, which has a legal basis in Germany, but comes with no right of residence and reduced benefits in comparison to the refugee status.

Economic and Social Implications of Labor Market Integration

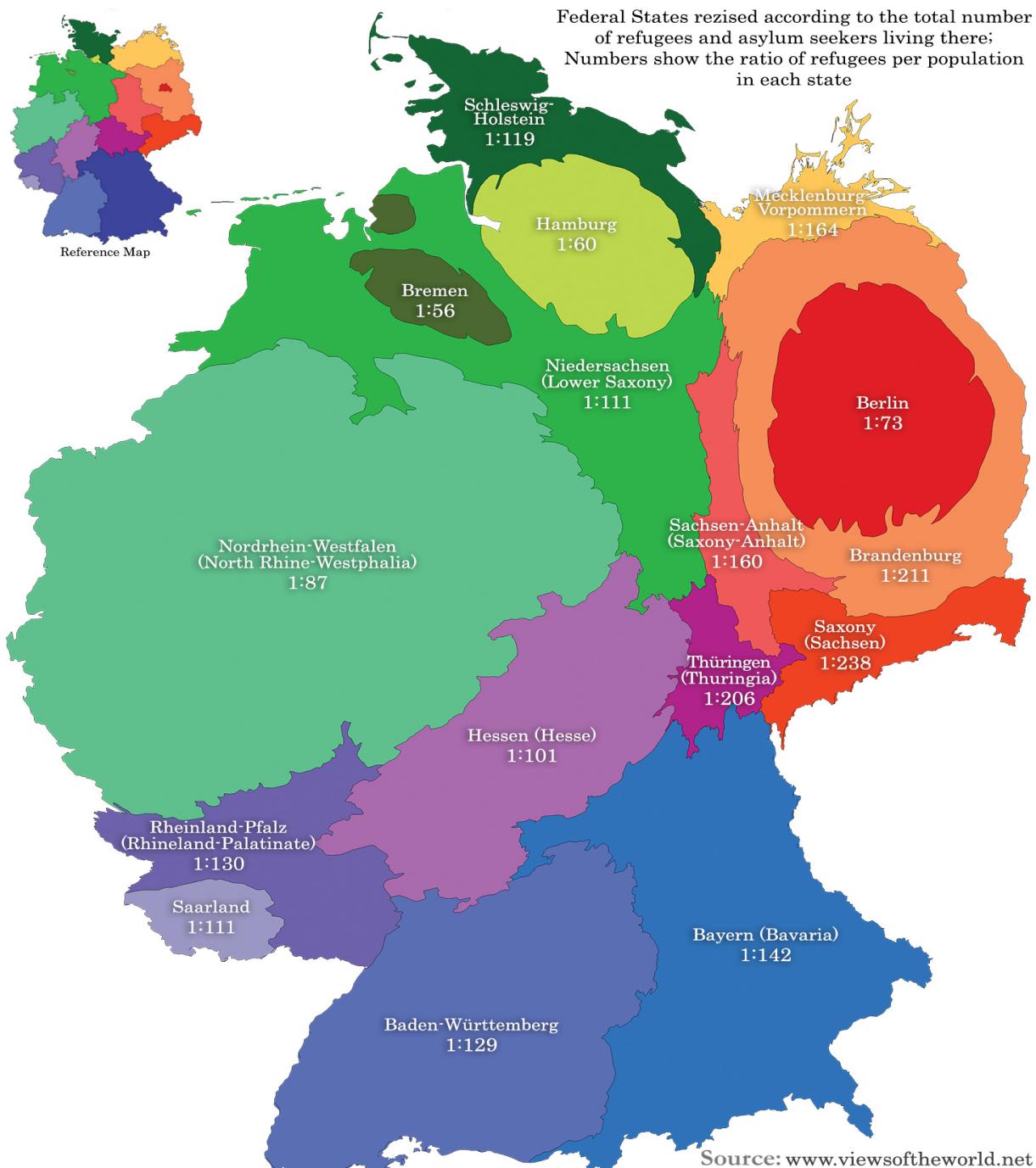
Labor market participation is the most vital element of a long-term integration strategy for refugees. Research suggests that on average, refugees need close to 15 years to be able to catch up with native citizen in the labor market (OECD, 2017, p. 11). Currently, access to the labor market is open for refugees, and with certain conditions, it is also available for asylum seekers three months after their application is submitted. This is especially important given the rise in the duration of asylum application processes and the fact that early labor market entry is a vital determinant of long-term outcomes. Asylum seekers are required by law to spend all their owned assets before they receive any financial aid from the German government (Konle-Seidl, 2018, p. 59). By February 2017, 9 percent of all registered job seekers were refugees or asylum seekers in Germany (OECD, 2017, p.

11). Despite this increase in the labor market participation of the refugees and asylum seekers, and reforms to ease the access to labor markets, there are a number of critical issues keeping the majority of refugees and asylum seekers from acquiring a job.

Refugee unemployment was at 40.5 percent according to the latest 2018 data available, while the national unemployment rate of Germany currently stands at 5.1 percent, the lowest since the 1990 reunification of East and West Germany (Hindy, 2018). Uncertainty surrounding the legal status and the permanence of the stay of these individuals not only affect their incentives to proactively contribute to their social and economic integration by joining the labor market but also profoundly influences the decision of hiring employers. According to an OECD survey, almost 70 percent of employers highlighted the importance and need for more legal certainty regarding the length of stay for asylum seekers, individuals who were denied asylum status but cannot be returned to their home country (tolerated person), and individuals who only receive subsidiary protection (OECD, 2017, p. 12). The current system in place is called the “3+2 rule”, which allows asylum seekers and “tolerated persons” to be able to be employed in an apprenticeship for the duration of their contract, which is generally three years, then proceed for two additional years of employment. The “3+2” rule, however, does not apply to individuals under subsidiary protection, which creates legal uncertainties for refugees in this category who would like to get employed, as well as for the hiring employers. The local foreigners offices make the decisions regarding the approval of apprenticeships, but these judgments and the data on the decisions are not centrally collected, which makes it essentially impossible to monitor the procedures of these applications. More transparency regarding the skills and qualifications of the asylum seekers and refugees, a specific contact person at the employment service, and continuous training while in employment are all critical elements in addition to legal security that employers would prefer moving forward (OECD, 2017, p. 13).

The current refugee relocation system and distribution amongst the 16 federal states of Germany is based on a combination of tax revenue and population size. The status quo policy of relocating refugees to economically and socially deprived regions of Germany, as presented in Figure 3 below, did help the Germany economy; however, only about 20 percent of refugees from war-torn countries held jobs by June 2017 (Romei et. al, 2017). Refugees with jobs were also largely working low-skilled jobs, with only temporary work contracts. Another key challenge to the economic

Figure 3. - Ratio of Refugees Per Population in Germany by State in 2015

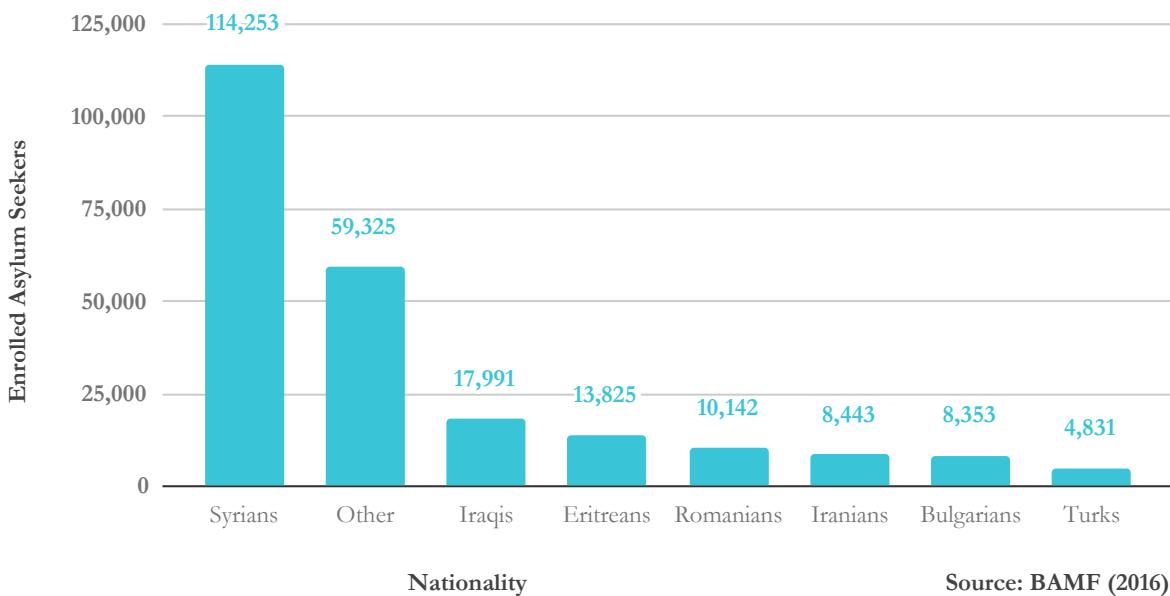


Map showing the distribution of refugees and asylum seekers based on 2014 data published by the German Federal Statistical Office (2015)
Allocation to initial reception facilities depends on capacity levels at the particular time. Consideration is also given to which branch office of the Federal Office deals with the asylum-seeker's home country.
In addition, there are acceptance quotas for individual Federal Länders; this involves a percentage that each Federal Land is obliged to take, known as the "Königsteiner Schlüssel".
It is calculated each year according to the tax receipts and population numbers of the Länder.

integration of refugees comes from the high diversity in their qualification levels. Despite the currently available data on the education level of refugees being scarce, a number of trends can be identified. For the most part refugees from Syria, Iraq, and Iran have minimum upper secondary education, while the majority of those individuals from Afghanistan, Eritrea, and Somalia have maximum lower secondary education (Konle-Seidl, 2018, p. 9). Female refugees on average have a higher educational level than most males; however, they have a harder time finding employment.

Language integration courses are also critical for successful labor market integration. One of the biggest hurdles for refugees to getting a job in Germany is not being able to speak the German language. Around 90 percent of asylum seekers cannot speak German on arrival, which constitutes a major stumbling block for employers (Martin, 2016). Since August 2016, Germany provides 600 hours of language training and 100 hours of civic orientation to asylum seekers (Konle-Seidl, 2018, p. 33). The program is designed to support asylum seekers to reach the intermediate standard of German, however; only about 300,000 asylum seekers were enrolled in these integration courses in 2016, as shown in Figure 4 below (Romei et. al, 2017).

Figure 4. - Asylum Seekers in Integration Courses in Germany by Nationality in 2016



A joint employer survey conducted by the OECD, the Association of German Chambers of Commerce and Industry, and the Federal Ministry of Labor and Social Affairs (OECD-DIHK-BMAS) uncovered that even for low-skilled job opportunities, nearly 50 percent of the employers required at minimum good German language skills (OECD, 2017, p. 12). The same survey showed the percentage increase to 90 percent for medium-skilled jobs. Forty percent of the employer respondents even went as far as only considering very good language skills when it comes to the

employment of refugees, asylum seekers, or individuals under subsidiary protection. Even after the spaces available in language integration courses had been increased substantially after the national integration law went into action in 2016, there is still a significant list of people who are waiting to be enrolled in these courses. All in all, it is clear that a strong emphasis on the German language should be prioritized on both the national and the local level, as this skill is crucial to access to all levels of the labor market. While language-training programs can be costly, the potential benefits in the long run far outweigh the costs associated with establishing these courses.

Germany has a progressive income tax rate system as shown in Table 1 below. Income tax rates start at 14 percent then they incrementally rise to 42 percent (Expatica, 2019). Above €265,327, which is the highest level set for taxable income, the rate stands at 45 percent. Registered members of churches in the country also have to pay a church tax of 8 or 9 percent of their taxable income. Considering the diversity in the asylum seekers' religions, this number will not be included in calculations in this analysis. Taxable income categories include all income coming from agriculture, trade or business, personal services, employment, capital investment, and other income gains from private transactions. Refugees who have been granted either asylum status or subsidiary protection are required to abide by the same rules that apply to German citizens (Bierbach, 2017). This means that if they are employed or have assets they have to pay for their personal expenses, taxes based on their income, and dues to social security services. Individuals with low incomes and no assets qualify for state-subsidized income. Examples include the government paying for part of their rent and health insurance. If someone has no income, they will receive welfare benefits. Under German labor law, employees are allowed to work eight hours per day (GTAI, 2019). Saturday is considered to be a normal working day in the country.

Table 1. - Personal Income Tax Rates in Germany

Taxable Income Range for Single Taxpayers (EUR)		Taxable Income Range for Married Taxpayers (EUR)		Tax Rate (%)
Over	Not Over	Over	Not Over	
0	9,169	0	18,338	0
9,169	55,691	18,338	111,382	14
55,691	265,327	111,382	530,654	42
265,327	...and above	530,654	...and above	45

Spending for the reception and integration of refugees were at 0.5 percent of GDP in 2015 (Konle-Seidl, 2018, p. 35). Additionally, Germany pledged around €78 billion to migration-related issues through 2022 (Shalal, 2018). This translates to about €15,960 spent per refugee per year. The pledged amount also includes €31 billion to combat the root causes of the crisis that forced hundreds of thousands of people to leave their homeland. In contrast to other less wealthy European countries, Germany have used EU funds such as the Asylum, Migration and Integration Fund (AMIF) much less to support refugee integration procedures largely due to the burdensome

application process (Konle-Seidl, 2018, p. 8-9). The country's Federal Employment Agency (BA) only participates in co-financed European Social Fund (ESF) programs and does not carry out projects on its own.

National Security Implications of Labor Market Integration

The integration of refugees is not only important from a social and economic perspective but also carries vital security policy implications for Germany. Before the migration crisis of 2015, the European political and intellectual leadership has generally failed to encourage immigrants to integrate into their host society. As a result, many refugees gathered into their own self-made societies, that later turned into ghettos, owing to their inability to find jobs, due to both their resistance of integration and the self-destructive passivity amongst European lawmakers.

Unemployment, poor education, and deteriorating living conditions are the most prominent reasons for radicalization in the European suburbs (Saunders, 2012). Many experts recognize the war against terrorism on the same page with the war against poverty and the lack of education. Migrants living in dire conditions are prone to achieve a better life for themselves and their families, and if there is not adequate support from the host societies, many young individuals' most appealing option out of poverty includes becoming "foot-soldiers" for terrorist organizations with the promise of cash payments and other compelling rewards (Esman, 2015). Integration into the economy and the society of the host nation is critical in order to discourage individuals from entirely disconnecting from their host societies, thus becoming prime targets for radical terrorist organizations such as al-Qaeda and ISIL.

Germany was the most targeted nation in Europe with 13 terror plots conducted by refugees and failed asylum seekers between 2014 and 2017 (Simcox, 2018, p. 4). These attacks during the migration crisis received a huge backlash from the right-wing German population, who claimed that by allowing refugees from war-torn regions into the country, the nation is making it easier for terrorists to disguise themselves as asylum seekers and commit terror attacks that are aimed at weakening the German national identity. While the large majority of the migrants would never commit terror attacks in any circumstances, the migration crisis does open a loophole for radical jihadists to enter the EU posing as an asylum seeker.

One of the most covered events by the media in 2015 was the terrorist attacks in Paris on the evening of November 13, 2015, when multiple coordinated attacks have left more than 120 people dead and 340 injured in France (Simcox, 2018, p. 1). Later investigations showed that two of the attackers entered the EU through Greece, then Hungary, camouflaged as refugees fleeing from Syria. Germany itself also suffered a number of terrorist attacks since the beginning of the crisis. On December 19, 2016, a truck was driven into a large crowd in a Christmas market in Berlin. Twelve people have lost their lives in the assault and another 56 were injured. The perpetrator was later identified as a failed asylum seeker from Tunisia. A year later on July 28, 2017, a failed asylum seeker

from Palestine stabbed seven people on the streets of Hamburg. One of the seven people was killed, and the other six were injured. In addition to these attacks, the German law enforcement agencies also foiled a number of terrorist plots since 2015 including the arrest of four migrants on suspicion of being part of a terrorist cell who planned to initiate attacks similar to those in Paris in 2015 in Düsseldorf. German Special Forces also helped apprehend three Syrian refugees who were part of the second terrorist cells sent to Europe in 2015, the other being those who carried out the attacks in Paris. The consequences of an improper integration strategy could lead to more events alike, which in turn also has the potential to increase the support for an anti-immigrant sentiment throughout the nation. These prospects combined pose a tremendous threat for the German nation-state, and thus the need for efficient labor market integration of asylum seekers and refugees becomes all the more critical for the future.

Evaluative Criteria

Each of the alternatives below will be evaluated using the following criteria. Comparing the options using uniform criteria allows for an evidence-based recommendation. The ultimate goal of each alternative is to address the problem of the labor market integration of refugees in Germany, and this report will analyze which alternative will do so most effectively. I defined four criteria that take into account the most pressing needs of these policy issues, which list as follows:

1. Economic Impact
2. Effectiveness
3. Political Feasibility
4. Administrative Feasibility

Each criterion will be quantified where possible or ranked on the scale described at the appropriate sections. The criteria are described below as well as the extent to which they address the problem statement.

Criterion #1 - [Economic Impact]

Analyzing the economic impact of the different labor market integration strategies should be the premier factor that must be taken into account when forming an alternative solution. This will be done through a cost-benefit analysis that calculates the costs of different initiatives and the potential benefits these programs could achieve in 10 years, resulting in a net overall economic impact in 2029 Euros. An ideal initiative will result in a net positive impact in the 10-year period for the German economy while continuing benefits should also be expected in the long run.

Benefits of labor market integration of refugees are expected to largely come from income tax paid by refugees into the Germany economy; however, other intangible, non-monetary benefits might also be considered depending on the proposed policy option. Each alternative will be analyzed using

this criterion based on the current number of refugees, asylum seekers, and other individuals under subsidiary protection residing in Germany, and will not consider estimations of migrant influxes for the time period past the analysis of the data currently available. The scale for this criterion will be based off a number value through an equation of total benefits minus total costs; however, specific comments may be given regarding indirect and intangible benefits according to the proposed alternatives if monetizing these values would be obscure. Discount rates (inflation) will also be calculated only for a 10-year period at 2 percent.

Criterion #2 - [Effectiveness]

The expected effectiveness of the suggested initiative should be taken into consideration when forming an alternative solution. An ideal alternative provides an effective solution to the labor market integration of refugees and also holds a certain degree of sustainability into the future.

The scale for this criterion will follow a Significant/Moderate/Limited framework when assessing the effectiveness of the proposed policy alternatives. Specific comments may be given in special circumstances.

Criterion #3 - [Political Feasibility]

The anticipated political feasibility of the proposed initiative must be given thorough attention. This criterion will be based on a political feasibility analysis, taking into account the current immigration policy environment of Germany, identifying key players, motivations, belief systems, and areas of political consensus and conflict (Meltsner, 1972). An optimal alternative carries sufficient political support to be implemented.

The scale for this criterion will be based on a Significant/Moderate/Limited probability of implementation after specific measures are assessed on how well the proposed alternative will be accepted and welcomed by German decision-makers, key stakeholders, and the general public. In addition to the ratings based on the above-mentioned scale, specific comments will be provided for alternatives for additional clarity on political feasibility.

Criterion #4 - [Administrative Feasibility]

The administrative feasibility of the proposed initiative should be a key element when forming an alternative solution. Integration policies involve many different levels of government, which makes coordination between these institutions difficult and lengthy while also creating legal uncertainty in many cases. A preferred alternative carries significant administrative feasibility to be implemented.

This criterion will be measured qualitatively on a three-step scale of Significant/Moderate/Limited administrative feasibility. This component also considers the timeline of implementation and the complexity of the proposed option.

Policy Options

Three policy alternatives are presented here that effectively target the issue of labor market integration of refugees in Germany, which lists as follows:

1. Let Present Trends Continue
2. Proportionate Regional Distribution System
3. Increase Availability and Differentiation of Language Integration Programs

The goal of the recommended option should be to assist the refugees in obtaining a job in the German economy the most effectively. However, it is essential to understand that there are inherent connections between these alternatives, and while this report will only propose a single solution, there is a possibility for complementation of the listed alternatives.

Option #1 - [Let Present Trends Continue]

Currently, asylum seekers are entitled to a number of benefits listed in the Asylbewerberleistungsgesetz (Asylum Seeker's Benefits Act) from the moment of their application registration as long as their application status is an asylum seeker (Konle-Seidl, 2018, p. 59). Asylum seekers under the Asylum Seeker's Benefits Act receive both non-cash and cash financial benefits, but this is restricted to the area where they have been relocated. Since 2016, a 600-hour language integration program and a 100-hour civic integration program is also part of the benefits package. Germany's current framework for refugee distribution is based on the tax revenue and population size of the region. Moving to other municipal areas without permission from the authorities is illegal, and is considered a breach of their asylum status and benefits. A further amendment to the Asylum Seeker's Benefits Act ruled that asylum seekers who fail to identify themselves to the authorities might be subject to reduction of their benefits. The BAMF's annual budget for migration-related expenses is €12.4 billion Euros. These include social payments to refugees, funding for language & integration programs, processing & registration of asylum seekers, and federal transfers to localities (Shalal, 2018).

The current status quo policy for refugee integration has achieved limited success. Most of the asylum seekers were relocated to economically and socially weaker regions, where both economic and social integration is more difficult (Romei et. al, 2017). Legal uncertainties including the diversity in qualification levels, permanence of stay, lack of transparency regarding skills and qualifications, and the backlog in language integration courses all pose challenges to be tackled.

Evaluation

Economic Impact

This option carries minimal economic impact, as the costs associated with labor market integration of the refugees are already included in the federal budget. The current baseline associated with migration-related expenses is €12.4 billion per year, which amounts to €151.1 billion over the next 10 years in 2029 Euros. However, as the number of asylum seekers arriving in Germany has been decreasing each year since the peak of the crisis in 2016, it is expected that costs associated with migration and integration will be lowered over the next years.

Effectiveness

This option offers moderate effectiveness overall. Currently, there are 838,950 refugees who are working in Germany. While the country has been undoubtedly the flagship of successful refugee integration when compared to most European nations, there is a substantial room for improvement in the effectiveness of the integration policies. The current status quo policy does not effectively utilize the diversity of the asylum seekers' qualifications and skillsets, fails to add certainty regarding the length of stay of the asylum seekers, and also falls short of providing adequate amounts of spaces in the language and civic integration programs.

Political Feasibility

Taking into consideration the mixed political responses and given that this option is already in place and requires no additional action, the likelihood of adoption is moderate. The German leadership has largely supported an open-door policy for the refugees and the population has been, for the most part, welcoming towards the asylum seekers as well. However, at the same time, nationalist anti-immigration parties have also gained significant popularity in the country as a result of the regime's liberal immigration policies, while also building on the negative effects of terrorist attacks committed by failed asylum seekers. This political shift has the potential to seriously affect political outcomes regarding immigration policy in the future.

Administrative Feasibility

This option has significant administrative feasibility due to the ease of implementation – the status quo condition would not make any administrative or operational changes to the existing labor market integration infrastructure of Germany.

Option #2 - [Proportionate Regional Distribution System]

The current regional distribution framework is largely inefficient. As self-employment is banned for asylum seekers, they are fully dependent on the German authorities' decision regarding their relocation to a certain region. The distribution of asylum seekers, refugees, and individuals under subsidiary protection neglects the preferences of the individuals while it also overlooks the qualifications and skills of the refugee population. In order to solve this issue, Germany should

adopt a more complex system, and adjust the distribution mechanics of asylum seekers. Instead of relying simply on population size and tax revenue of certain federal states, the BAMF should also systematically assess and match the local labor needs to the qualifications and skills of the asylum seekers and refugees. While there are clear challenges for implementing such a system, it would benefit both the refugees and the German economy as well, since a proportionate distribution of refugees in different regions of Germany would allow highly skilled refugees as well as low skilled refugees to be able to obtain jobs proportional to their skill level.

Sweden's Fast-Track integration approach, which is an initiative that coordinates existing measures into a streamlined program that supports and speeds up the labor market integration of skilled refugees, should serve as a model to be followed by Germany. The initiative builds on the partnership between government agencies, trade unions, and the organization of employers. Elements of the program include skills assessment, work placements, training, apprenticeships and language learning opportunities (Konle-Seidl, 2018, p. 57). Depending on the industry, the Fast-Track system helped refugees land jobs with increased effectiveness in Sweden (Arbetsförmedlingen, 2018). Using the data available on the outcomes of the initiative a 15-percentage point increase in overall refugees entering the labor market as a result of a successful regional distribution program is assumed for the analysis of this alternative.

Challenges to implementing such a system include the lack of specific data available on local labor market conditions. This could be potentially solved by a survey designed to collect data from each of the different federal states regarding the employment fields of their needs. Secondary mobility would also have to be adjusted accordingly, allowing refugees, asylum seekers, and individuals under subsidiary protection to be able to relocate to a specific locality if they found a suitable employment opportunity in the area agreed on by both parties.

Evaluation

Economic Impact

This alternative would result in a net negative economic impact of -€4.67 billion in 2029 Euros on a 10-year timeline for the Germany economy. It is important to note that the proposed survey on local labor market conditions is a one-time cost of €30 million. The economic impact for the implementation of an adjusted distribution system was based on the costs associated with the implementation of Sweden's Fast-Track initiative, which amounted to €754 million in 2016 (Konle-Seidl, 2018, p. 38). Projecting this for the next 10 years adds up to a total cost of €9.14 billion on a 10-year timeline in 2029 Euros, including the one-time cost allocated for a local labor market conditions survey.

Effectiveness

This option has moderate effectiveness overall, as it is projected to result in 211,500 refugees entering the labor market over the 10-year period used for the analysis. However, while a

proportionate regional distribution system helps matching the diverse skillset and qualifications of refugees to appropriate employment opportunities in certain regions, thus increasing effective labor market integration, it does not address a number of other major issues that prevent asylum seekers from securing employment. These challenges include the uncertainty of their length of stay, and most importantly, learning the German language to be able to adequately communicate with their potential employers.

Political Feasibility

This alternative carries limited political feasibility for adoption. While the response to the arrival of the refugees has been largely welcoming in Germany, this rhetoric also coincided with a number of incidents of intolerance aimed at the asylum seekers. These demonstrations against the migrants have been primarily present in parts of Germany that show the lowest numbers of the ratio of refugee per population. It is thus expected that a proportionate regional distribution system would likely face formidable resistance from right-wing opposition parties, which have been growing in popularity as a result of the terrorist plots and other attacks committed by failed asylum seekers during the crisis.

Administrative Feasibility

This option offers limited administrative feasibility. Since currently there is no system or database in place that would be able to match the preferences, skillsets, and qualifications of refugees to the needs of certain states in Germany, policymakers would have to develop an extremely complex infrastructure to address this issue. The absence of such a system combined with the lack of available data on local labor market conditions, length of implementation, and the unavailability of secondary mobility creates an immense hurdle for this option to be administratively feasible.

Option #3 - [Increase Availability and Differentiation of Language Integration Programs]

Currently, available evidence suggests that investment into integration programs aimed at developing the language skills of refugees are one of the most cost-effective measures for both their social and labor market integration (Konle-Seidl, 2018, p. 37). Additionally, refugees also listed poor language skills as one of the most prominent factors holding them back from obtaining a job. There are about 300,000 asylum seekers enrolled in language integration courses, which is only about 24.5 percent of the entire refugee population of Germany. Based on a number of assumptions and evidence gathered from the success of Sweden's Fast-Track initiative, increasing the funding for language integration programs is projected to result in a 25.5 percentage point increase in refugees entering the labor market.

Consequently, the BAMF should increase the spaces available and promote language integration programs as well as more differentiation in the language courses offered for refugees with different expertise levels, which in turn would support German employers to have less difficulty employing refugees, while also allowing asylum seekers to be able to communicate with their potential

employers and peers more effectively. This would make both their social and economic integration substantially easier. The additional spaces available should be able to match the projected amount of additional refugees entering the labor market, while differentiation in the courses should offer levels starting at elementary and intermediate. Language training is especially important looking in the future, where employers mostly see employment opportunities becoming available in the medium-skilled and high-skilled positions.

Evaluation

Economic Impact

This alternative would result in a net positive economic impact of €7.59 billion in 2029 Euros on a 10-year timeline for the Germany economy. Data shown in Figure 1 suggests the numbers of asylum applications have experienced a sharp decline over the past 2 years. This trend is expected to continue as the root causes of conflicts that are driving people from their homeland are more and more under control. Consequently, the required funds for processing and registering asylum seekers will also be less, and a budget cut will have a minimal effect on the effectiveness of these initiatives. Thus, instead of increasing funding for language integration programs, the BAMF should relocate €1.2 billion from the budgetary spending designated for the processing and registration of refugees to the language and integration courses spending category. Relocating €1.2 billion (€12 billion over 10 years) to the language and integrative measures fund would increase the total annual funds available for these programs to €4.45 billion. These additional funds would be specifically designated to increase the capacity of language integration courses while also allowing for the establishment of differentiation in the courses offered.

Effectiveness

This option is significantly effective as it is projected to result in 359,550 additional refugees entering the labor market in the 10-year period used for the analysis. As 90 percent of the refugees do not speak the German language on arrival, combined with the fact that at least 50 percent of potential employers require a minimum of good German language skills, increasing the funding and space available in language integration programs while providing more differentiation in the courses offered would address the most prominent issue that are preventing asylum seekers from entering the German labor market. As the numbers of refugees arriving at the country have been decreasing since the peak of the crisis, it is likely that the expansion of this program would hold firm sustainability into the future that would require very minimal changes to the newly implemented infrastructure.

Political Feasibility

This option carries moderate political feasibility. Increasing the funding, availability, and differentiation in courses offered in the language integration programs would slightly increase the costs and manpower required to operate these initiatives, which in turn would likely result in some political opposition to the expansion. However, it is crucial to understand that these are immediate

costs that could be offset by the benefits of a successful labor market integration strategy in the long run, as represented by the projected net positive economic impact in 10 years.

Administrative Feasibility

The administrative feasibility of this option is moderate. Since the current language and civic integration courses have already been in place since 2016, and these initiatives are also part of the national law, expanding them in terms of availability and differentiation does not require an outstanding amount of effort and work by the BAMF.

Outcomes Matrix

GOAL(s): Increase the labor market participation of refugees, asylum seekers, and individuals under subsidiary protection	EVALUATION CRITERIA					
	Economic Impact* (in 2029 €)			Effectiveness	Political Feasibility	Administrative Feasibility
RANGE OF ALTERNATIVE SOLUTIONS	Costs	Benefits	Net Impact			
Alternative 1: Let Present Trends Continue	€151.1 billion (Baseline)	€17.7 billion (Baseline)	- €133.4 billion (Baseline)	Moderate	Moderate	Significant
Alternative 2: Proportionate Regional Distribution System	€9.14 billion	€4.47 billion	-€4.67 billion	Moderate	Limited	Limited
Alternative 3: Increase Availability and Differentiation of Language Integration Programs	€0**	€7.59 billion	+€7.59 billion	Significant	Moderate	Moderate

*Detailed calculations of costs & benefits can be found under this link:

<https://tinyurl.com/BarthaAPP>

**No additional costs due to the relocation of funds from processing & registration to language & integration measures.

Recommendation

Given the projected outcomes, it is recommended for Germany to pursue Option 3 and increase availability and funding to further improve the available access for refugees to enter the labor market. This alternative has a net positive economic impact of €7.59 billion in 2029 Euros on a 10-year timeline, moderate political and administrative feasibility, and significant effectiveness as it is projected to result in 359,550 additional refugees entering the labor market by the end of the 10-year timeline used for the analysis.

While it is expected that such an expansion would face some opposition from different stakeholders and political organizations, this response would still be relatively weak compared to the establishment of a proportionate regional distribution system that would directly effect German citizens who are strongly opposed to the relocation of asylum seekers into their localities. Additionally, since the general infrastructure of the language integration program has already been implemented, it requires only a moderate amount of administrative work on behalf of the German government to increase the capacity of these initiatives. The projected 25.5 percentage point increase in refugees entering the labor market as a result of this option is significantly effective, as this would nearly double the number of asylum seekers in the German workforce.

Despite being the most effective alternative there are a number of issues that Option 3 leaves unaddressed. These include matching the skillsets and qualifications of refugees with appropriate employment opportunities, lacking specific data on local labor market conditions, and promoting partnerships between the public and the private sphere. While these considerations are important and the need to address them is indisputable, Option 3 will have positive externalities on each of these problems to a certain extent.

Implementation

Delivering the implementation of any policy of the labor market integration of refugees is arguably as important, if not more, than the proposed policy itself. When the results of the failure of refugee integration could potentially include extremist violence and heavy social & economic burdens, it is critical to have a comprehensive implementation strategy. Elements of implementation for Option 3 should include consideration of the local context, partnerships with relevant institutions and actors, evaluation of policy reach, effective relocation of funds, and maintaining the robustness of the integration programs into the future.

It is important to consider the local context of language integration programs, and thus how it would be best to increase the capacity and differentiation of these initiatives in each individual German state. The capacity of the language integration programs should be sufficient to admit the projected amount of refugees additionally entering the labor market. At the same time, the differentiation in the programs should offer at least two different levels to start learning the language

including elementary and intermediate. Before implementing a policy, it is also vital to consider what partnerships would be helpful in implementing the expansion of these programs the most effectively. Evaluating the policy's reach is also important for the program to be able to fulfill its projected goal of allowing an additional 359,550 refugees entering the labor market as the language barrier that prevented them from doing so has been addressed. Finally, it is essential for the transfer of finances from the allocated funds to be completed in a timely and effective manner. The BAMF should relocate €1.2 billion annually from the processing & registration budget to the language courses & integrative measures fund. As the numbers of asylum applications are sharply decreasing since 2016, and are expected to do so going into the future, the need for integration procedures is much larger than for processing and registration measures. The focus of the policy should be aimed at the asylum seekers currently present in Germany, thus allowing them to become economically productive members of the German society.

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