Lift the Ban?
Initial Employment Restrictions and Refugee Labour Market Outcomes

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April 20, 2021

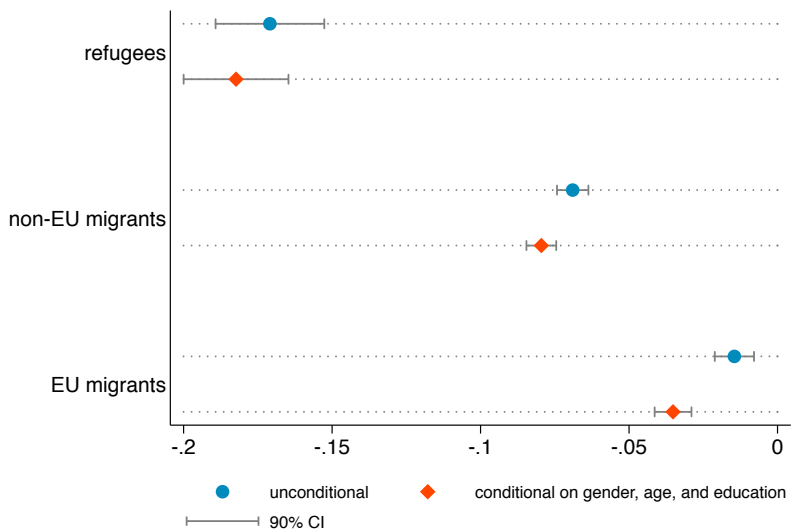
Introduction

In **EU28 countries**, between 2012 and 2018:

- Number of individuals with refugee status increased from 1.3 million to 2.5 million (97% of these are in EU15);
- First time asylum applications: almost 5 million.

Refugees struggle to integrate in the labour market

Employment probability gaps w.r.t. natives in the EU:



Introduction: literature on refugee labour integration

- Sizeable "refugee gap" – also w.r.t. other immigrant groups – common feature in many host countries.
  - Cortes (2004); Bratsberg, Raaum and Roed (2014); Ruiz and Vargas-Silva (2018); Fasani, Frattini and Minale (2021).
  - See also Becker and Ferrara (2019) and Brell, Dustmann and Preston (2020) for recent reviews.
- Obvious and inevitable reasons:
  - Exposure to traumatic experiences, leading to poorer physical and mental health.
  - Unplanned migration, leading to e.g. lower fluency in host country language.

Introduction: literature on refugee labour integration

- Growing literature on the role of **asylum policies** in determining refugee integration.
  - Dispersal policies: Edin et al. (2003); Damm (2009); Fasani, Frattini and Minale (2021).
  - Asylum application processing speed: Hainmueller et al. (2016); Hvidtfeldt et al. (2018); Bertoli et al.(2020).
  - Generosity of income support for refugees: Lo Palo (2019); Andersen et al.(2019).
  - Policies specifically designed to imporve refugee outcomes: job search assistance (Battisti et al. 2019); language training (Lochmann et al.2019; Arendt et al.2020).
- This paper explores the effects of **temporary employment bans**.
  - Closest paper: Marbach et al.(2018) on the reduction of employment ban length implemented in Germany in 2000.
  - Related literature on the relevance of labour market conditions at arrival for immigrant future outcomes: Aslund and Rooth (2007) and Azlor et al.(2020).

Temporary employment bans

Temporary employment ban: period during which **asylum-seekers** are not allowed to take up employment.

- Reasons for imposing employment bans:
  1. Preventing socio-economic integration of asylum applicants before they are allowed to stay, to ease removals of rejected applicants.
  2. Asylum seekers/refugees may be detrimental for labour mkt outcomes of natives.
  3. Relatively generous asylum policies may attract "too many" asylum-seekers.

- Potential impacts:
  - **Short-run.** Mechanically keep asylum-seekers out of the formal labour market for several months.
  - **Medium and long-run.** Putting asylum–seekers "on hold" might have **long-lasting consequences** on their social and economic integration (lower motivation, human capital depreciation, scarring effects, etc).

Employment bans are controversial

THE IRISH TIMES

Government to lift some restrictions facing asylum-seekers looking for work

Supreme Court ruled a year ago ban on asylum-seekers accessing work was unconstitutional

Tue, Jun 26, 2018, 00:35

THE IRISH TIMES

Asylum seekers' right to work remains a fantasy

Direct provision residents are still prevented from taking jobs by a myriad of issues

Fri, Jul 27, 2018, 05:00

12/10/2018

The Guardian

Asylum seekers 'could contribute £42m to UK' if work rules relaxed

Coalition launches campaign to end ban on applicants working while claim processed

HUFFPOST - UK

Stephen Hale Chief executive of Refugee Action

THE BLOG

Asylum Seekers Should Have The Right To Work - It's Time To Lift The Ban And Let Common Sense Prevail

People in this situation feel worthless, useless and depressed. There are teachers, managers, engineers and doctors wanting to give back to the country that has protected them

22/10/2018 17:20 BST | **Updated** 22/10/2018 17:20 BST

05/12/2018

The Guardian

Javid would like to review ban on asylum seekers working in UK

Home secretary says he wants to review restrictions that leave people reliant on £5,39 a day allowance

This paper

Research Question: What are the medium to long-term effects of employment bans on the labour market outcomes of refugees?

1. Repeated cross-sectional data covering 19 EU countries (2008 and 2014 EULFS).
   - Distinguish those entered as asylum seekers from other immigrants.

2. **Newly collected data** that track changes in the length of **temporary employment bans** from 1985 onward in most European countries.

Identification strategy:

- Difference-in-Difference: refugees & placebo on non-refugees
- IV strategy

Data and descriptives

European Labour Force Survey (EULFS)

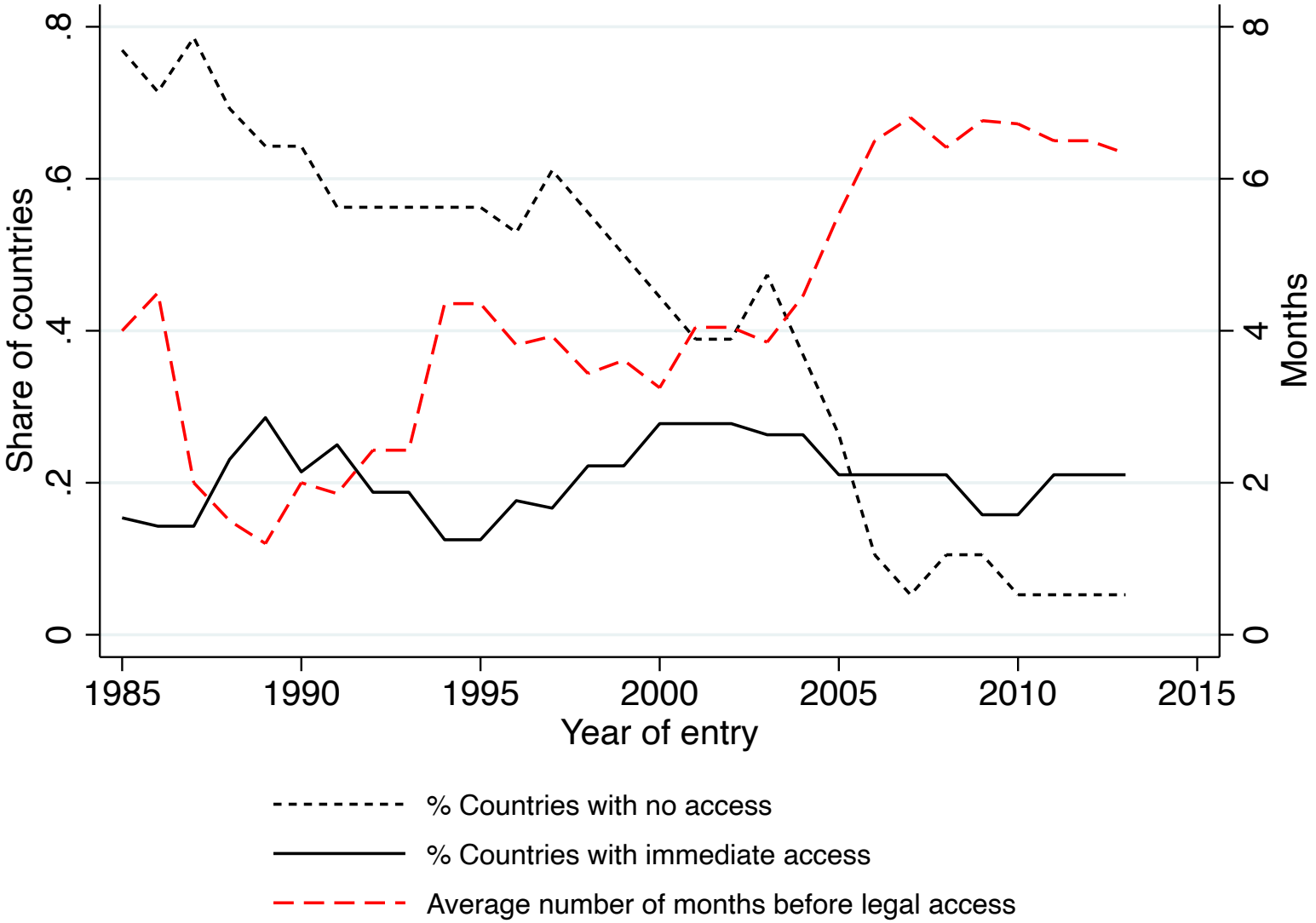
- Large household survey covering EU countries with info on employment, participation, unemployment, and type of occupation.
- Two ad–hoc modules on the labour market outcomes of migrants collected in 2008 and 2014.
- Information about the main **reason for migration**: employment, family, studying, humanitarian protection. etc.; and on **year of entry**.
- We restrict the sample to refugees and other migrants who originated from the same areas (i.e. non–EU15 countries), and for which we have info on policy: 49,098 individuals, of whom 4,242 are refugees.
- 19 European countries, entry-cohorts from 1985 to 2012, in the country for at least 2 years.

Data and descriptives

EMPBAN - a new asylum-policies database

- We construct a country-year panel of policies from 1985 to today
- Info on: temporary restrictions to labour market access, limited occupations, time limit per year, tied to one employer...etc.
- For each country we rely on legislative references + country experts

Evolution of employment bans over time



Empirical strategy

We exploit both staggered ban introductions and removals together with changes at the intensive margin in both directions. Estimate the following specification:

$$y_{idTt} = \alpha_0 + \alpha_1 BAN_{dT} + \mu_{dt} + \lambda_T + \gamma X_{it} + \varepsilon_{idTt}$$

- y_{idTt}: labour market outcome of refugee i who arrived in country d in year T and was interviewed in year t
- BAN_{dT}: measure of ban exposure in destination country d and arrival time T
- X_i: individual controls (age, gender, education)
- μ_{dt}: host country-survey year dummies
- λ_T: cohort of arrival dummies
- Standard errors are clustered at the (destination) country level

Empirical strategy

Identifying assumption: in the absence of the policy, outcomes of treated refugees would have been the same as those of non-treated refugees.

Endogeneity concerns: changes in employment ban might be introduced in coincidence with country-specific shocks (recession, general anti-immigration sentiment, refugee-specific shocks, etc.) or driven by differential trends in refugee assimilation.

We tackle these concerns through:

1. **Placebo tests:** study the *effect* on non-refugee migrant, not subject to the ban.
2. **Inclusion** of rich set of **controls** for country-specific shocks.
3. Provide evidence in favour of **parallel trend** assumption.
4. Test whether refugees **sort** into employment bans depending on their characteristics.
5. **IV strategy**: 2003 EU directive set maximum ban to 12 months.

Structure of the presentation

1. Empirical strategy
2. Main results
3. Identification and further empirical issues
4. Mechanisms and interpretation
5. Conclusions

Results: baseline estimates

	(1)	(2)	(3)	(4)
	Panel A: Employment			
Employment Ban	-0.125***	-0.136***	-0.124***	-0.089***
	(0.035)	(0.038)	(0.037)	(0.031)
Observations	4,242			
Mean of outcome	0.62			
	Panel B: Participation			
Employment Ban	-0.128**	-0.135**	-0.114**	-0.092***
	(0.045)	(0.051)	(0.041)	(0.026)
Observations	4,242			
Mean of outcome	0.73			
	Panel C: Unemployment			
Employment Ban	0.010	0.018	0.027	0.009
	(0.042)	(0.042)	(0.044)	(0.056)
Observations	3,112			
Mean of outcome	0.15			
Host country x Year FE	X	X	X	X
Entry cohort FE	X	X	X	
Origin area FE		X	X	
Individual characteristics			X	X
Entry cohort x Origin area FE				X

- Employment probability decreases by 14% and participation by 13%.
- No effect on unemployment.

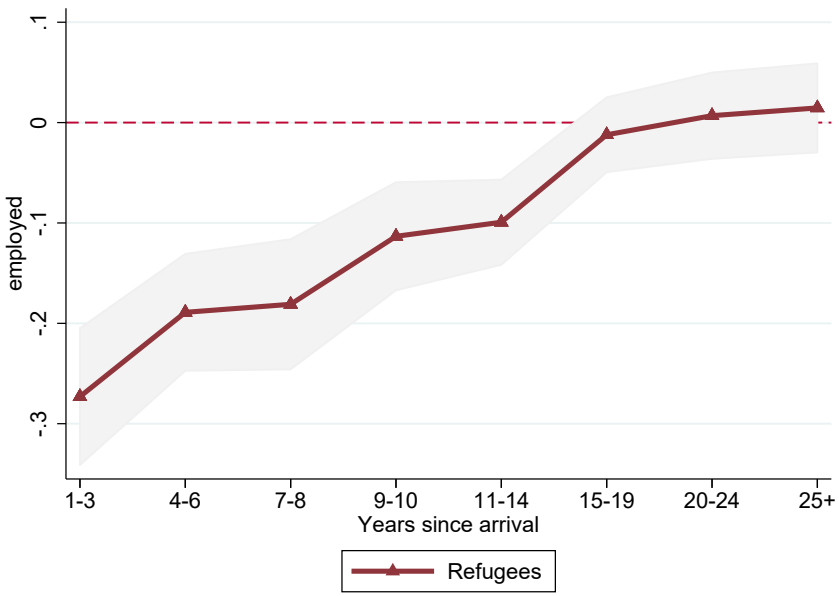
Results: placebo test on non-refugee migrants

	All other migrants				Economic migrants	Family migrants
	(1)	(2)	(3)	(4)	(5)	(6)
			Panel A: Employment			
Employment Ban	-0.011	-0.002	-0.009	0.003	0.026	-0.000
	(0.030)	(0.025)	(0.023)	(0.024)	(0.019)	(0.032)
Observations	49,100	49,100	49,100	49,100	24,007	19,250
			Panel B: Participation			
Employment Ban	-0.013	-0.005	-0.011	0.003	0.011	0.020
	(0.027)	(0.023)	(0.021)	(0.022)	(0.022)	(0.035)
Observations	49,100	49,100	49,100	49,100	24,007	19,250
			Panel C: Unemployment			
Employment Ban	0.002	-0.001	0.001	-0.001	-0.018	0.017
	(0.010)	(0.009)	(0.008)	(0.007)	(0.014)	(0.015)
Observations	38,631	38,631	38,631	38,631	21,601	12,296
Host country x Year FE	X	X	X	X	X	X
Entry cohort FE	X	X	X			
Origin area FE		X	X			
Individual characteristics			X	X	X	X
Entry cohort x Origin area FE				X	X	X

- No evidence that bans are implemented in response to shocks, which would also affect other migrants.

Results: quantification

Refugee-migrant gaps by years since migration
(Fasani, Frattini and Minale, 2021)



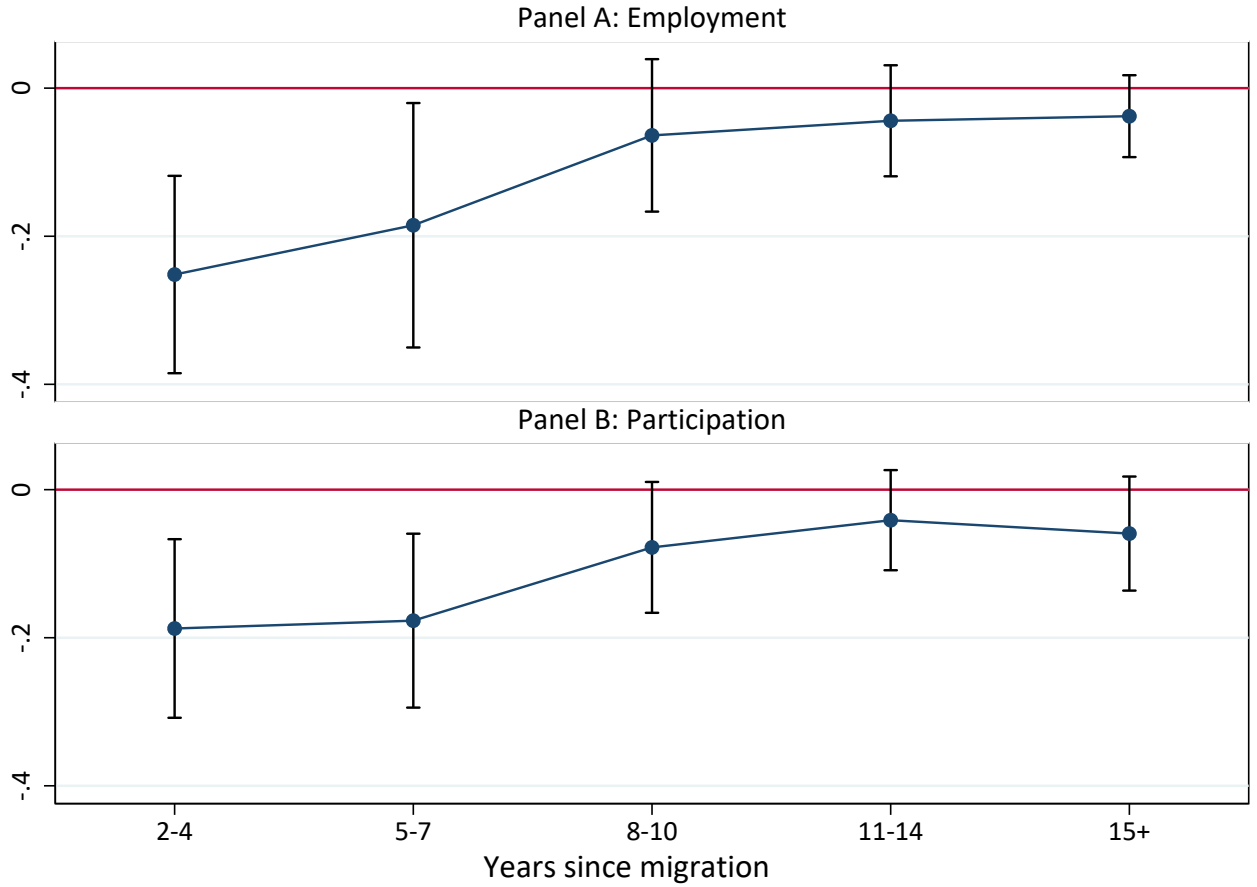
- The refugee gap in employment probability w.r.t. other migrants decreases by 2 p.p. for each extra year spent in the country.
- Effect of employment ban = -8/9 p.p.; equivalent to approximately 4 years of delay in gap reduction.

Results: intensive margin and non-linearity

	Employment		Participation		Unemployment	
	(1)	(2)	(3)	(4)	(5)	(6)
Ban: up to 3 months	-0.041	-0.053	-0.084	-0.067	-0.044	-0.005
	(0.047)	(0.045)	(0.069)	(0.073)	(0.037)	(0.053)
Ban: 4-6 months	-0.122***	-0.086**	-0.107**	-0.066**	0.020	0.024
	(0.038)	(0.034)	(0.044)	(0.023)	(0.044)	(0.052)
Ban: 7-13.5 months	-0.123***	-0.092**	-0.138**	-0.107***	0.000	0.017
	(0.034)	(0.043)	(0.054)	(0.031)	(0.046)	(0.065)
Ban: indefinite	-0.123***	-0.088**	-0.127***	-0.094***	0.009	0.002
	(0.038)	(0.031)	(0.042)	(0.026)	(0.046)	(0.055)
Observations	4,242	4,242	4,242	4,242	3,112	3,112
Host country x Year FE	X	X	X	X	X	X
Entry cohort FE	X		X		X	
Individual characteristics		X		X		X
Entry cohort x Origin area FE		X		X		X

- Negative effect visible already with short bans
- Effect strongly significant and larger for longer employment bans
- Decreasing marginal effects of ban length

Results: effect persistency



- The negative effect of the initial forced idleness is persistent over time and takes about 8-10 years to dissipate.
- Consistently with the literature on labour market entrance during a recession (Oreopoulos et al. 2012; Altonji et al.2016) employment bans may leave scars that last for up to a decade.

Further empirical issues

1. Are (economic, political, refugee-related) shocks at arrival affecting both the introduction of employment bans and future integration of refugees?
   What we do: **control for conditions at arrival**

2. Are countries that introduce or lift bans on different trajectories relative to other countries?
   What we do: **dynamic specification** to look for effects on cohorts arrived just before introduction or just after removal of a ban.

3. Do asylum seekers self-select into countries with different levels of employment restrictions based on individual unobservables?
   What we do: test for **sorting**.

4. Are there other unobserved factors (e.g. shocks to attitudes towards refugees) leading to changes in ban *and* in refugees' outcomes?
   What we do: **IV strategy**

(1) Correlation with country-specific shocks at arrival

	(1)	(2)	(3)	(4)	(5)	(6)
			Panel A: Employment			
Employment Ban	-0.117***	-0.125***	-0.117***	-0.120**	-0.127***	-0.091**
	(0.038)	(0.036)	(0.040)	(0.042)	(0.043)	(0.042)
			Panel B: Participation			
Employment Ban	-0.112**	-0.121***	-0.112**	-0.121**	-0.125***	-0.101***
	(0.043)	(0.041)	(0.043)	(0.046)	(0.043)	(0.027)
Observations	4,081	4,081	4,081	4,081	4,081	4,081
Economic conditions (_T)		X			X	X
Government ideology (_T)			X		X	X
Asylum appl. & refugee pop. (_T)				X	X	X
Individual charact. and FE	X	X	X	X	X	X
Entry cohort x Origin area FE						X

- Estimated employment ban effect remains negative and statistically significant when controlling for economic and political conditions at arrival, as well as for asylum-related shocks.

(2) Timing of the effect and parallel trends

	(1)	(2)	(3)	(4)	(5)
			Panel A: Employment		
Empl. Ban (T)	-0.125***	-0.123***	-0.137***	-0.114***	-0.121***
	(0.035)	(0.032)	(0.034)	(0.034)	(0.040)
Empl. Ban (T +/- 1)		0.004	-0.024		
		(0.045)	(0.047)		
Empl Ban (T +/- 1 and 2)				0.017	0.004
				(0.038)	(0.052)
			Panel B: Participation		
Empl. Ban (T)	-0.128**	-0.120***	-0.119***	-0.116***	-0.104*
	(0.045)	(0.033)	(0.040)	(0.036)	(0.051)
Empl. Ban (T +/- 1)		0.013	-0.009		
		(0.065)	(0.058)		
Empl Ban (T +/- 1 and 2)				0.018	0.015
				(0.054)	(0.057)
Observations	4,242	4,242	4,242	4,242	4,242
Host country by Year FE	X	X	X	X	X
Entry cohort FE	X	X	X	X	X
Individ. charact. + Origin area FE			X		X

- No effect before the ban is introduced or after it is lifted
- Estimated effect not driven by differential trends between treated and control units

(3) Sorting

Sample:	All refugees				Refugees with education acquired before migration			
Outcome variable:	Empl Ban		Indefinite Ban		Empl Ban		Indefinite Ban	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Male	-0.030	-0.033	-0.027	-0.023	-0.031	-0.032	-0.019	-0.011
	(0.020)	(0.022)	(0.018)	(0.016)	(0.019)	(0.021)	(0.015)	(0.012)
Age at arrival	-0.001	-0.001	-0.009	-0.009	-0.000	0.000	-0.002	-0.001
	(0.003)	(0.003)	(0.010)	(0.009)	(0.002)	(0.002)	(0.005)	(0.004)
Age at arrival_squared	0.000	0.000	0.000	0.000	0.000	-0.000	0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Upper secondary education	-0.020	-0.020	-0.015	0.003	-0.016	-0.012	-0.010	0.007
	(0.017)	(0.015)	(0.040)	(0.035)	(0.021)	(0.019)	(0.063)	(0.058)
Tertiary education	0.007	0.004	-0.019	-0.012	0.008	0.007	0.006	0.009
	(0.022)	(0.019)	(0.028)	(0.026)	(0.023)	(0.020)	(0.043)	(0.039)
New EU member states		-0.016		-0.077		0.001		-0.060
		(0.029)		(0.106)		(0.031)		(0.117)
North Africa and Middle East		-0.010		0.026		-0.009		-0.009
		(0.022)		(0.070)		(0.024)		(0.068)
Other Africa		-0.058		-0.070		-0.083		-0.063
		(0.054)		(0.104)		(0.059)		(0.096)
South-East Asia		-0.006		-0.133		0.003		-0.145*
		(0.037)		(0.080)		(0.030)		(0.079)
Latin America		-0.147		0.106		-0.117		0.110
		(0.129)		(0.174)		(0.126)		(0.179)
Observations	4,242	4,242	4,242	4,242	3,392	3,392	3,392	3,392
First 5 coefficients=0 (p-value)	0.584	0.567	0.265	0.073	0.556	0.541	0.746	0.815

- No evidence of asylum-seekers sorting into countries with different levels of employment restrictions based on their observable (pre-determined) characteristics

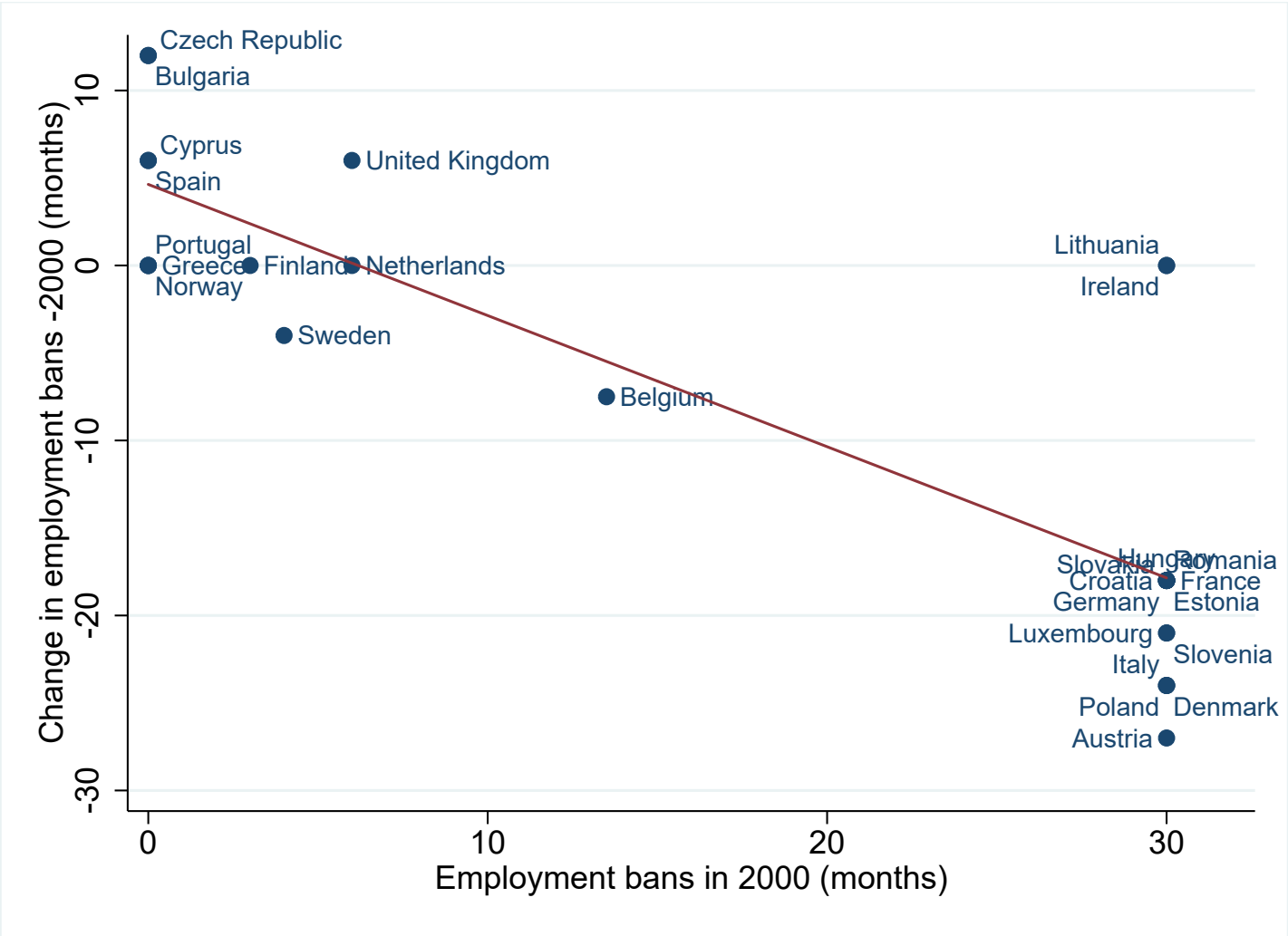
(4) Instrumental variable strategy: intuition

- "Council Directive 2003/9/EC of 27 January 2003 laying down minimum standards for the reception of asylum seekers"
- Sets a limit of one year for restrictions to labour access for asylum seekers.

- **Idea**: pre-directive cross-sectional variation can be used to predict post-directive changes in employment ban length.
- Similar instrument used to study the effect of gender quota introduction (Ahern and Dittmar, QJE (2012); Bertrand et al., Restud (2018))

Instrumental variable strategy: visual first stage

Figure: Pre-"EU 2003 Directive" duration of employment bans (in 2000) and post-2003 Directive (2013-2001) change in employment bans



(4) Instrumental variable strategy: 2SLS estimates

Figure: IV: Full set of interactions between post-2003 entry cohort dummies and pre-directive restrictions measured in 2000.

	(1)	(2)	(3)	(4)	(5)
			Panel A: Employment		
Empl. Ban: # Months	-0.036*	-0.037*	-0.038*	-0.042**	-0.039
	(0.017)	(0.018)	(0.019)	(0.018)	(0.049)
Empl. Ban: # Months Sq.	0.001*	0.001*	0.001*	0.001*	0.001
	(0.001)	(0.000)	(0.000)	(0.000)	(0.001)
			Panel B: Participation		
Empl. Ban: # Months	-0.040*	-0.036	-0.035	-0.039	-0.033
	(0.023)	(0.023)	(0.023)	(0.023)	(0.026)
Empl. Ban: # Months Sq.	0.002*	0.001*	0.001*	0.001*	0.001
	(0.001)	(0.001)	(0.000)	(0.001)	(0.001)
Observations	3,665	3,665	3,665	3,665	3,665
F-stat: Ban - # Months	52.58	183.7	489.8	14.31	162.4
F-stat: Ban - # Months Sq.	333.0	435.1	239.6	53.86	182.5
Max ban: # months	24	30	36	30	30
Host country x Year FE	X	X	X	X	X
Entry cohort FE	X	X	X	X	X
Individual characteristics				X	X
Entry cohort x Origin area FE					X

- 2SLS estimates confirm negative effect of employment ban

Mechanisms and discussion (1): heterogeneous effects + other outcomes

	Employment status		*Occupational quality*			*Human capita*		*Health status*		*Welfare*
	Employment	Participation	High skill occupation	Temporary Job	Over-qualified	Low language proficiency	Lab mkt status: disabled	Not FT b/c health or disability	Left job b/c health or disability	Receiving benefits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
					Panel A - Overall effect					
Employment Ban	-0.089***	-0.092***	-0.064**	0.101***	0.044	0.125*	0.020	0.104*	0.047	0.038***
	(0.031)	(0.026)	(0.026)	(0.027)	(0.079)	(0.065)	(0.022)	(0.059)	(0.067)	(0.011)
					Panel B - Heterogenous effects by education					
Empl. Ban * Lower Sec. Educ.	-0.163*	-0.129***	-0.048	0.149***	-0.086*	0.208**	0.015	-0.025	0.042	0.082**
	(0.079)	(0.028)	(0.056)	(0.029)	(0.040)	(0.078)	(0.044)	(0.035)	(0.106)	(0.034)
Empl. Ban * Upper Sec. Educ.	-0.103**	-0.091	-0.110**	0.106***	0.111	0.083	0.031	0.286**	-0.143	0.008
	(0.047)	(0.058)	(0.050)	(0.019)	(0.157)	(0.051)	(0.028)	(0.120)	(0.103)	(0.030)
Empl. Ban * Tertiary Educ.	0.095	-0.016	0.003	-0.030	0.142**	0.026	0.012	0.042	0.164**	-0.005
	(0.061)	(0.053)	(0.130)	(0.146)	(0.059)	(0.069)	(0.029)	(0.074)	(0.071)	(0.040)
Mean of outcome	0.58	0.71	0.26	0.19	0.321	0.17	0.06	0.12	0.18	0.07
Observations	4,242	4,242	2,631	2,285	832	1,458	3,365	572	616	3,547
Ind. characteristics and FE	X	X	X	X	X	X	X	X	X	X

- Effects concentrated among refugees with lower or upper secondary education.
- Lower probability to be employed in a high skill occupation.
- Higher probability of holding a temporary job.
- Lower language proficiency, worse health conditions, more likely to receive benefits.

Mechanisms and discussion (2): contemporaneous asylum and migration policies

	Employment					
	(1)	(2)	(3)	(4)	(5)	(6)
Employment Ban	-0.072**	-0.078**	-0.082***	-0.076***	-0.076***	-0.073**
	(0.030)	(0.036)	(0.018)	(0.023)	(0.021)	(0.027)
Restrictivness of policies for:						
Asylum-seekers & refugees (access to the country)		-0.017				0.034
		(0.037)				(0.060)
Asylum-seekers & refugees (inside the country)			-0.058**			-0.070
			(0.021)			(0.042)
Economic migrants (access to the country)				0.018**		-0.015
				(0.007)		(0.035)
Economic migrants (inside the country)					0.038**	0.063
					(0.013)	(0.055)
Observations	4,008	4,008	4,008	4,008	4,008	4,008
Individual controls and FE	X	X	X	X	X	X

- Do our estimates pick up the effect of other policies simultaneously introduced with employment bans modifications?
- Adding controls for immigration and asylum policies in place at time of arrival does not affect estimated impact of employment bans.
- The analysis employs two indices developed by IMPIC Project to measure restrictiveness of different migration policy dimensions.

Mechanisms and discussion (3): quantification

- We use the causal estimates to quantify the aggregate direct cost of employment bans in terms of output loss for the European economy during the peak of the so-called refugee crisis.
- Abstract from general equilibrium considerations and focus only on non-mechanical effects of employment bans.

- The ban imposed on over 1 million new refugees may have resulted in an overall output loss of EUR 37.6 billion over a 8-year period, equivalent to about EUR 4,100 per banned refugee per year.

Conclusions

- **Employment bans** produce negative and persistent consequences for refugees' labour market integration:
  - Employment probability decreases by 14% and participation by 13% (no effect on unemployment).
  - Effect mostly through labour market participation.
  - The negative effect takes up tp 10 years to dissipate.
  - Being subject to a ban delays asylum seekers integration by approximately 4 years.

- **Mechanisms:**
  - Effect compatible with discouragement, lower investment in host-country specific human capital, higher reliance on welfare.
  - No observable effect on size of migrant flows and their composition.
  - Not driven by employment bans being bundled with other restrictive asylum/migration policies.