The Short-run Effects of Active Labour Market Policies of Germany on the Employment of Syrian and Afghan Refugees
(2018-2020)

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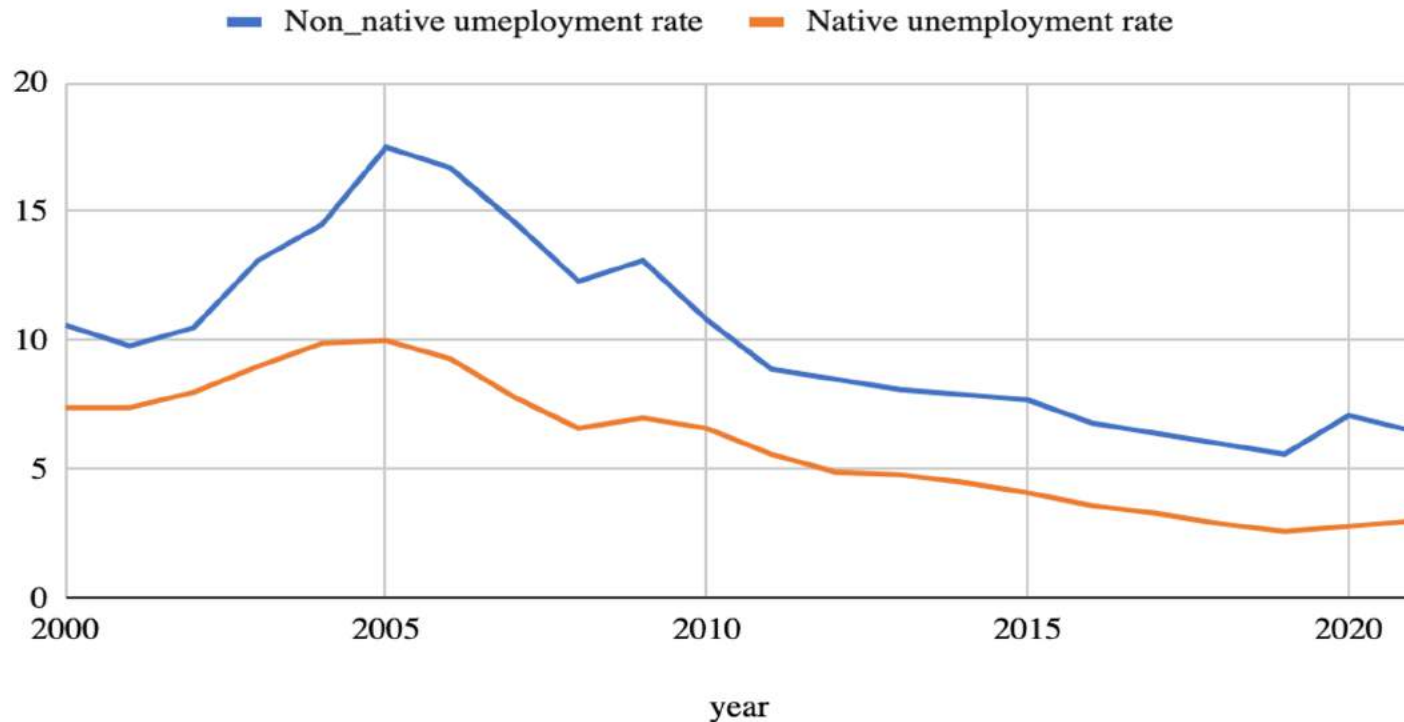Conclusion and Policy Recommendation

Introduction

1. World Bank, Macrotrends

Introduction

Non-native and Native unemployment rate since 2000

In 2022
Unemployment rate of non-natives: 13.6 %
Natives: 5.4%

2. OECD Data, Statista

Introduction

Research Question

How do the Active Labour Market Policies (ALMPs) in Germany impact the Employment of Syrian and Afghan refugees? (2018-2020)

Aim

To analyze the effectiveness of labour market policies of Germany for Afghan and Syrian refugees for the mentioned time period.

Introduction: Hypothesis

ALMPs improve employment prospects by reducing search frictions and enhancing the chances of finding a suitable job match through skill enhancement and the development of human and social capital.

Introduction: Contribution

- Novel study: comparison of Syrian and Afghan refugees
- Using two estimation methods
- Recent Data from 2018-2020

Active Labour Market Programs

1. **Long-term training programs:** vocational training, further vocational training, and long-term internships
2. **Short-term programs:** language training, job training, integration courses, and short-term internships.
3. **Subsidized Employment**: duration of subsidized employment is limited and the wage is paid partially or fully by government.
4. **Job search assistance** is a unique measure that help refugees find a gainful employment considering their skills and is provided by job centers or Federal Employment agency

Theoretical Framework

- Labour Market is a Matching Market.

- **Diamond-Mortensen-Pissarides (DMP)** matching model (2010 Nobel Prize Winners) is an extended version of the matching market.

- DMP model provides a comprehensive framework to analyze the matching process between job seekers and job vacancies in a market characterized by search frictions.

- Search frictions can be reduced through ALMPs by upgrading individual's skills and improving their human and social capital.

Literature: Long-term Training Programs

- Kasrin and Tübbicke (2022) using covariate balancing propensity scores (CBPS) find that **further vocational training positively** affects employment of refugees in the long run.

- Ortlieb R et al. (2020) using logistic Regression find that long-term internships and **vocational training increases** probability of employment.

- Vooren et al. (2019) using weighted mean effects and the multivariate meta-analysis find that **training programs positively** affect labour force participation of low skilled population.

- Reason for the negative effect of these programs in the short-run is **Lock-in Effects.**

Literature: Short-term Programs

- Foged et al. (2022) using Regression Discontinuity (RD), weighted least squares and a triangular kernel find that **language intensity increases** employment from short-run to the long-run.

- Arendt and Bolvig (2022) using IV and 2SLS find that early **job training** has **positive** effect in the short-run and disappears after 30 months.

- Ortlieb R et al. (2020) using Logistic Regression find that Short-term training programs such as **skill assessment decreases** probability of employment

- Speckeseer et al. (2019) using IV, General Methods of Moments (GMM) find that **job training** has **negative** effect on the aggregate employment rate.

Literature: Employment Subsidy

- Speckeseer et al. (2019) using IV, General Methods of Moments (GMM) find that **wage subsidy positively** affects employment.

- Vooren et al. (2019) using weighted mean effects and the multivariate meta-analysis find that **subsidized labour** and public employment have **negative** effect on the employment.

Literature: Job search Assistance

- Dahlberg, Matz, et al. (2022) and Battisti, Michele, et al. (2019) use Randomized Control Trial (RCT) and find that the treated group displays an **immediate and substantial increase in employment rates.**
  Treatment: received job search assistance
  Control: received baseline services from the state

- Escudero (2019) using Feasible generalized least square (FGLS), IV and 2SLS finds that **job search assistance** has **positive** effect on the employment of low-skilled population.

Data

Refugees in Germany *"Accompanying evaluation of labor market policy Integration measures for refugees"*

First wave: July 2018 to July 2019 ; 9523
Second wave: September 2020 to December 2020; 4526

Source: Institute of Labor Economics (IZA), Refugees in Germany (GiD). Research Data Center of IZA (IDSC).

Summary Statistics

Syrian: 61.3%
Afghan: 11.7%
Other nationalities: 26.9%

Variable	Obs	Mean	Std. Dev.	Min	Max
Labor force participation	9052	.382	.486	0	1
Short-term program	9050	.975	.155	0	1
Long-term program	9052	.515	.5	0	1
Employment subsidy	9052	.007	.084	0	1
Job search assistance	9052	.136	.343	0	1
Unemployment benefit	9052	.479	.5	0	1
Asylum benefit	9052	.146	.353	0	1
Child benefit	9052	.418	.493	0	1
Housing benefit	9052	.106	.308	0	1
Language skills	9052	1.898	.508	1	3
Education Germany	9051	.106	.308	0	1
Qualification recognition	9052	.082	.274	0	1
Residence status	9052	1.891	.349	1	3
Work experience	9052	8.129	8.52	0	50
Years in Germany	9051	4.008	.674	2	26
Number of Ger friends	9052	3.274	7.44	0	90
VT abroad	9052	.138	.345	0	1
Education abroad	9052	.947	1.919	0	18
Gender	9052	.842	.365	0	1
Age	9038	34.089	9.52	20	65
Agesq	9038	1252.655	723.142	400	4225
Married	9052	.523	.5	0	1
Children	9052	.632	1.321	0	12
Culture assimilation	9052	2.72	.526	1	3
Perceived-health	9052	2.718	.586	1	3
Life satisfaction	9052	2.14	.865	1	3
yr20	9052	.5	.5	0	1

Methodology

1. **Binary choice Model**

$P(\text{lfp}=1|X) = G(z)$

1. **Propensity Score Matching**

$ATT = E(Y_1 - Y_0|D = 1) = E(Y_1|D = 1) - E(Y_0|D = 1)$

Model

$$lfp_{it} = \beta_0 + \beta_1\ shrt\text{-}prg_{it} + \beta_2\ lng\text{-}prg_{it} + \beta_3 assist_{it} + \beta_4 empl\text{-}sub_{it} + \beta_5 Unemployment\_ben_{it} + \beta_6 asylum\_ben_{it} + \beta_7 child\_ben_{it} + \beta_8 hous\_ben_{it} + \beta_{9\text{-}10} lan\_skl_{it} + \beta_{11} edu\_ger_{it} + \beta_{12}\ qua\_rec_{it} + \beta_{13\_14} res\_title_{it} + \beta_{15} work\_exp_{it} + \beta_{16} YrsinGer_{it} + \beta_{17} nGerfrnds_{it} + \beta_{18} edu\_abr_i + \beta_{19} VT\_abr_i + \beta_{20}\ gender_i + \beta_{21}\ age_{it} + \beta_{22} agesq_{it} + \beta_{23} married_{it} + \beta_{24} children_{it} + \beta_{25\_26}\ Cltr\_assimilaiton_{it} + \beta_{27\_28} hlth_{it} + \beta_{29\text{-}30} satisfied_{it} + \beta_{31} yr20_t + \mathcal{M}_i + V_{it}$$

Results

VARIABLES	(1) logit AME	(2) probit AME
shrt_prg	0.0570*	0.0583*
	(0.0317)	(0.0316)
lng_prg	-0.0579***	-0.0574***
	(0.00973)	(0.00972)
assist	-0.0607***	-0.0592***
	(0.0130)	(0.0129)
subsidized_emp	0.0251	0.0260
	(0.0215)	(0.0214)

- Participating in short-term program (language, skill assessment, integration courses, job training, and short-term internship) ↑ **probability of lfp by a 5.83% points** in the short-run, ceteris paribus.
- Participating in long-term programs (VT, FVT, internship) ↓ **probability of lfp by 5.74% points** in the short run, ceteris paribus. Reason: lock-in effect
- Job search assistance has negative effect and ↓ **probability of lfp by 5.92 % points** in the short run, ceteris paribus.
- Employment subsidy does effect lfp.

Results

- Receiving Benefits from government reduces lfp except for child benefit.
- Having a subsidized and recognized refugee status compared to having asylum status and restricted status increases probability of lfp by **4.87 % points**
- YrsinGer increases lfp participation in all three regressions by **2.97% points**
- work-exp increases lfp only for overall population by **0.18% points**

unemployment_ben	-0.379***	-0.381***
	(0.00740)	(0.00755)
asylum_ben	-0.393***	-0.392***
	(0.0131)	(0.0129)
child_ben	0.0320***	0.0329***
	(0.0124)	(0.0123)
hous_ben	-0.0540***	-0.0532***
	(0.0150)	(0.0148)
dlanskl2	0.0246**	0.0238**
	(0.0120)	(0.0120)
dlanskl3	-0.0101	-0.00985
	(0.0199)	(0.0198)
edu_ger	-0.0684***	-0.0683***
	(0.0177)	(0.0176)
qua_rec	-0.0351**	-0.0366**
	(0.0165)	(0.0165)
res_title2	0.0500***	0.0490***
	(0.0150)	(0.0150)
res_title3	0.0559	0.0544
	(0.0408)	(0.0407)
work_exp	0.00182*	0.00186*
	(0.00101)	(0.00101)
YrsinGer	0.0304***	0.0295***
	(0.00727)	(0.00726)
nGerfrnds	0.000829	0.000877
	(0.000602)	(0.000601)

Results

- Male have higher probability of participation in labour force compared to female.
- Satisfied and completely satisfaction compared to not satisfied have positive effects have compared to those who are completely dissatisfied
- Good and best health status(*hlth2, hlth3*) compared to poor health status have positive effect on lfp.

VT_abr	0.0204	0.0206
	(0.0143)	(0.0143)
edu_abr	0.00204	0.00207
	(0.00286)	(0.00286)
gender	0.233***	0.230***
	(0.0168)	(0.0165)
age	0.0239***	0.0236***
	(0.00424)	(0.00424)
agesq	-0.000312***	-0.000308***
	(5.40e-05)	(5.40e-05)
married	0.0151	0.0135
	(0.0136)	(0.0136)
children	-0.0143***	-0.0143***
	(0.00392)	(0.00391)
cltr_assimilation2	-0.0233	-0.0229
	(0.0234)	(0.0233)
cltr_assimilation3	-0.0246	-0.0247
	(0.0222)	(0.0221)
hlth2	0.0844***	0.0848***
	(0.0215)	(0.0213)
hlth3	0.102***	0.102***
	(0.0193)	(0.0192)
satisfied2	0.0378***	0.0369***
	(0.0117)	(0.0117)
satisfied3	0.0494***	0.0489***
	(0.0102)	(0.0102)
yr20	0.0230	0.0233

Results: Propensity Score Matching

VARIABLES	(Overall Population) ATT
_treated	0.0514***
	(0.0103)
Constant	0.354***
	(0.00782)
Observations	9,034
R-squared	0.003

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Comparison of Afghan and Syrian refugees

VARIABLES	(1) AME of short-term program participation	(2) AME of long-term program participation
Afghan	0.145**	-0.127***
	(0.0716)	(0.0369)
Syrian	0.150*	-0.131***
	(0.0852)	(0.0335)
Observations	7,034	7,034

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

=> LR in both cases is greater than critical value, the null hypothesis is rejected. In other words, nationality and short program participation and nationality and long program participation are not jointly statistically significant at 5% confidence interval.

Comparison of Afghan and Syrian refugees

VARIABLES	(Syrians) ATT	(Afghans) ATT
_treated	0.0699***	-0.00256
	(0.0125)	(0.0343)
Constant	0.354***	0.343***
	(0.00938)	(0.0266)
Observations	6,208	803
R-squared	0.005	0.000

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Conclusion and Policy Recommendation

- ALMPs have the same effects on Afghan and Syrian refugees.
- In the short-run, short-run programs such as job training, skill assessment, language courses, integration courses are more effective compared to long-run programs.
- In the short-run, long-run programs have significant lock-in effects. However, in the long-run, they are more likely to increase the labour force participation as they equip individuals with more advanced skills.
- Germany should improve the effectiveness of assisting refugees in finding jobs.
- Employment subsidy and subsidies are not effective policies for increasing labour force participation of refugees: therefore government should use them less intensively.

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