

## PRESS RELEASE

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# Integration Boosts Labor Market Opportunities for Migrants in Germany - EPOS Economic Research Center reports

- Ethnic enclaves impair job prospects
- Data of German IAB Institute examined before and after mass layoffs

Bonn, Mannheim, Germany, 31.08.2023 – **Workers with a migration background have particular disadvantages in Germany's labor market if they live in an ethnic enclave. After being laid off, these people are significantly less likely to find a new job compared to their German colleagues: Over a period of five years after job loss, the probability of employment is on average 5.2 percentage points lower. These research results are published by the EPOS Economic Research Center of the Universities of Bonn and Mannheim in the discussion paper "Job Displacement and Migrant Labor Market Assimilation".**

"People living in ethnic enclaves have significantly poorer chances after a job loss," says author Hannah Illing of the EPOS Economic Research Center. One reason for this could be lower incentives to invest in human capital relevant to the German labor market, such as language skills. Another explanation is that ethnic enclaves offer fewer job opportunities overall.

Against the backdrop of the shortage of skilled workers in Germany, the economist recommends that policy-makers promote the mobility of immigrants who have already been employed in Germany: "This group could benefit greatly if they moved to regions with better labor market conditions after losing their jobs."

### **Different wage development after job loss**

The difficulties of migrants in the labor market are also reflected in wage development: Within five years after job loss, the wages of people living in ethnic enclaves are on average 10 per cent lower compared to German colleagues. Migrants outside an ethnic enclave earn 3.1 per cent less in comparison.

### **Positive wage gap after five years**

However, if people with a migration background find a follow-up job, their working life in Germany can develop very positively, as the current study shows. Five years after a dismissal, wages improve on average even faster than those of native colleagues. This development is apparently favored by the change of employer. "One possible explanation is that the dismissal virtually forces migrants to look for new career opportunities and they thus succeed more often in finding a better-paid job," says Illing.

### **Skilled labor shortage in Germany**

Currently, many jobs in Germany remain unfilled, for example in nursing, in teaching at schools or in the skilled trades. According to the Institute for Employment Research, the number of vacancies reached a new all-time high of 2 million at the end of 2022. With the new law on skilled labor immigration, foreign skilled workers should therefore be able to come to Germany more easily in the future.

"To enable integration into the German labor market, policy-makers should provide targeted assistance. This applies, for example, to the job search or a job-related move. This will benefit both sides," says Illing.

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## **IAB data examined after mass layoffs**

The economists compare the development of wages and employment among persons with and without German nationality after mass layoffs between 2001 and 2011. For this purpose, they examined the social security data of the IAB (Institute for Employment Research) of about 146,000 persons who had been in employment for more than three years before their layoff in the period between 1997 and 2016. An area counts as an "ethnic enclave" if persons of the respective group of origin are overrepresented compared to the respective average area in Germany.

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The presented discussion paper is a publication without peer review of the Collaborative Research Center Transregio 224 EPoS. Access the full discussion paper [here](#).

Find the list of all discussion papers of the CRC here: <https://www.crctr224.de/research/discussion-papers>.

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## **The Collaborative Research Center (CRC) Transregio 224 EPoS**

Established in 2018, [the Collaborative Research Center Transregio 224 EPoS](#), a cooperation of the universities Bonn and Mannheim, is a long-term research institution funded by the German Research Foundation (Deutsche Forschungsgemeinschaft, DFG). EPoS addresses three key societal challenges: how to promote equality of opportunity; how to regulate markets in light of the internationalization and digitalization of economic activity; and how to safeguard the stability of the financial system.

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