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EUROPE'S NEW REFUGEES: A ROAD MAP FOR BETTER INTEGRATION OUTCOMES

DECEMBER 1, 2016



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Recent reports have assessed prospects for the Chinese economy, income inequality in advanced economies, the outlook for Africa, and the potential of digital finance in emerging economies. MGI is led by four McKinsey & Company senior partners: Jacques Bughin, James Manyika, Jonathan Woetzel, and Frank Mattern, MGI's chairman. Michael Chui, Susan Lund, Anu Madgavkar, and Jaana Remes serve as MGI partners. Project teams are led by the MGI partners and a group of senior fellows, and include consultants from McKinsey offices around the world.

These teams draw on McKinsey's global network of partners and industry and management experts. Input is provided by the MGI Council, which co-leads projects and provides guidance; members are Andres Cadena, Richard Dobbs, Katy George, Rajat Gupta, Eric Hazan, Eric Labaye, Acha Leke, Scott Nyquist, Gary Pinkus, Shirish Sankhe, Oliver Tonby, and Eckart Windhagen. In addition, leading economists, including Nobel laureates, act as research advisers.

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EUROPE'S NEW REFUGEES: A ROAD MAP FOR BETTER INTEGRATION OUTCOMES

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PREFACE

The McKinsey Global Institute (MGI) has undertaken a major study mapping the patterns of global migration and calculating its impact on the world economy. But as our research progressed, it became impossible to ignore the fact that many of the complexities we were exploring at a global level were playing out in real time as more than two million asylum seekers came to Europe in 2015–16.

Most people who are forced from their homes by war and persecution either become internally displaced within their own countries or seek safety in a neighbouring country. The developing world has therefore always sheltered a disproportionate share of the global refugee population. But the most recent wave of violence and conflict has prompted millions from Syria, Afghanistan, and Iraq to leave the Middle East altogether to seek asylum in Europe.

The multilayered challenges have stretched Europe's economic, social, and political fabric. Basic systems, such as the Dublin Regulation and the Schengen Agreement, have largely broken down; they were simply not designed for such a large movement of people. Administrative structures have been swamped. Long delays in registering new arrivals and assessing their asylum claims have led to overcrowding in refugee centres. All over Europe, intense debates are taking place about the political implications and long-term societal implications of this influx of refugees.

It is critical to ensure that these debates are based on a deep understanding of the facts. This report aims to shore up that fact base, exploring the demographics of this recent migrant cohort and considering how its arrival differs from previous waves of migration—and whether it may establish a pattern in the future.

Societies across Europe are struggling to improve both asylum administration and integration, but bolder and more comprehensive action is necessary. We address the challenges of successful integration by identifying systemic issues and highlighting some concrete and promising strategies for solving them. Asylum procedures can be transformed and streamlined by making them an end-to-end process that takes place under one roof and includes an effective mechanism for repatriation. Helping refugees fit into their new homes and become contributing members of society will require a holistic approach that spans four areas: labour market and economic integration, educational integration, housing and health integration, and sociocultural and language integration.

Even more broadly, we outline the strategic questions facing the European Union as it seeks to build a framework for managing higher levels of migration in a more globalised world. Accommodating this large group of asylum seekers is not without its risks and challenges; it will require significant investment and a determination to ensure that investment is used wisely. Many of the new arrivals are in Europe to stay, and it is in each country's own best interest to ensure they reach their full potential and begin contributing as quickly as possible. In fact, if integration is handled well, Europe can turn this challenge into an opportunity.

This research was led by Frank Mattern, chairman of MGI and a senior partner of McKinsey & Company based in Frankfurt; Eckart Windhagen, a McKinsey senior partner and a member of the MGI Council based in Frankfurt; Solveigh Hieronimus, a McKinsey partner in Munich; Jonathan Woetzel, an MGI director and McKinsey senior partner based in Shanghai; Anu Madgavkar an MGI partner in Mumbai; and George Tsopeles, a senior partner of McKinsey & Company based in Athens. In addition, David Bachmann, Ashwin Hasyagar, Julia Klier, and Sahil Tesfu made substantial contributions. The author and research team, led by Sarah Seidl and Katharina Ecker, comprised Benjamin Hebborn, Kristina Müller, Björn Saß, Ravi Ram, and Neslihan Sönmez.

We thank the following McKinsey senior partners and partners for their commitment and contributions: Kalle Bengtsson, Jean-Christophe Mieszala, Sven Smit, Jonathan Dimson, and Khaled Rifai. We also acknowledge the contributions of other McKinsey colleagues, including Kirsten Best-Werbunat, Marisa Carder, Matt Cooke, Heinke Maria Kunze, Richard Johnson, Annette Lehnigk, Kai Peter Rath, Lisa Renaud, and Elena Yaropolova.

We are grateful for the valuable input of MGI's academic advisers Martin Baily and Richard N. Cooper, academics Ian Goldin and Dr. Khalid Koser and external expert Marie McAuliffe.

We are grateful for all of the input we have received, but the final report is ours and any errors are our own. This report contributes to MGI's mission to help business and policy leaders understand the forces transforming the global economy, identify strategic locations, and prepare for the next wave of long-term growth. As with all MGI research, this work is independent and has not been commissioned or sponsored in any way by any business, government, or other institution, although it has benefited from the input and collaborations that we have mentioned. We welcome your emailed comments on the research at **MGI@mckinsey.com**.

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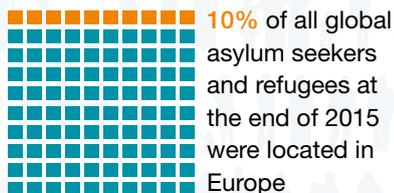
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Europe's new refugees: A road map for better integration outcomes

2.3 million asylum seekers have come to Europe since 2015 in an unprecedented influx



The success or failure of integration has large economic, social, and political implications

Risks in case of failure



Economic

High and long-term unemployment, employment below skill level



Social

Pressure on social cohesion due to migration concerns



Political

Changed political decisions in response to perceived negative impact of migrants

Opportunities in case of success



Economic

GDP contribution of up to €60 billion to €70 billion annually by 2025



Social

Demographic boost driven by age structure and fertility rate of refugees

Committed funds...

~€12.3 billion for EU fund for asylum, migration and integration (2014-2020 period)

~€7.2 billion for migration and integration in 2016 in Sweden

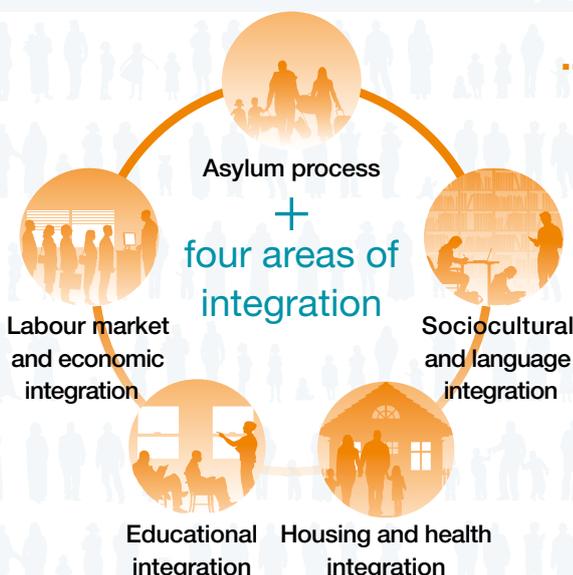
~€12.7 billion for admission and integration of refugees and asylum seekers in 2017 in Germany

...to improve Europe's asylum procedures...

Countries should allocate their resources wisely to develop a system that allows fast decisions on asylum requests, optimal integration support for those who stay, and effective repatriation of those who are not granted asylum

... and develop holistic integration measures

Success integration requires early, effective and long-term measures that tackle four areas of integration simultaneously



EXECUTIVE SUMMARY

2.3M

asylum seekers in
20 months

The unprecedented surge of more than 2.3 million asylum seekers in the 20 months from January 2015 to August 2016 caught Europe off guard. Men, women, and children forced from their homes by conflict and persecution often risked their lives to find safety and the chance for a better life in Europe.

These recent asylum seekers make up only about 0.45 percent of the total population of the European Union (EU). But the implications are already far larger than this number would indicate. Their arrival represented the most sudden and dramatic wave of forced migration the continent has experienced since the aftermath of World War II. At one point, up to 10,000 people, many of them in desperate circumstances, were reaching European shores each day. This turn of events has unleashed a heated political debate—not least because it occurred as many European countries were struggling to shake off years of recession and austerity. The continent's ability and willingness to absorb this influx are being put to the test.

This report does not aim to take sides in that debate. Instead we start from the premise that migration is part of a more globalised world, and that refugees are the inevitable product of a world in conflict. Many of the new arrivals are likely here to stay. The continent has a great deal at stake in ensuring that they are integrated into the labour market and into society more broadly. Failing to do so carries significant risks of creating an isolated and dependent population over the long term. For the countries that get this right, there is real economic upside potential.

We begin by offering a better understanding of this new group of migrants and the factors that shaped individual journeys. We then make a case for the imperative for Europe to focus on asylum, repatriation, and integration management now and consider how to strengthen core systems that have been strained. We outline the importance of the EU's role and of harmonising responses and asylum procedures across the continent. Lastly, we offer a curated selection of promising strategies that are already being implemented across the continent to help these new arrivals fit into their adopted communities and begin contributing economically.

THE RECENT WAVE OF ASYLUM SEEKERS DIFFERS FROM PREVIOUS COHORTS IN SEVERAL DIMENSIONS

Newly arrived asylum seekers differ from the global cohort as well as previous ones. Some 70 percent of the 2.3 million asylum seekers who arrived in Europe in 2015–16 were male. Furthermore, some 30 percent were age 17 or younger, roughly 50 percent were between the ages of 18 and 34, and some 20 percent were ages 35 to 64. The unusual predominance of young men among Europe's recent surge of asylum seekers may reflect the difficulty and danger of reaching European shores. These demographics may become more balanced over time as wives and children eventually join men in the destination countries.

70%

male

Unlike previous cohorts of asylum seekers, more than half hail from just three countries: Syria (29 percent), Afghanistan (15 percent), and Iraq (10 percent). Other asylum seekers came from Pakistan and several African countries such as Eritrea and Nigeria or from the Maghreb. These migrants face much higher rejection rates, though, and are less likely to be granted asylum.

>50%

from Syria,
Afghanistan,
and Iraq

Overall, asylum seekers today seem to be covering greater distances to seek safe haven than in the past. Fleeing the threat of violence, they typically cross the border to a neighbouring country, hoping to return to their homes once circumstances improve. About 90 percent

of all asylum seekers from Syria, Afghanistan, and Iraq were still in neighbouring countries at the end of 2015. Travelling onward to Europe from these regions requires covering long distances and facing dangerous sea passages and border crossings. Yet in 2015, a two-step pattern seems to have come into play, with migrants fleeing first to an initial safe haven and then searching for a more viable and attractive place to live. To reach more promising destinations, they were willing to voluntarily travel far greater distances after they first found safety in neighbouring countries. This pattern could influence their longer-term decisions to stay in Europe—and Europe will need to prepare for this possibility.

These arrivals have been unevenly distributed across Europe. The differences are due partially to varying attractiveness of destination countries and partially to varying government policies on entry. Just six out of the 28 EU member states took in 80 percent of the asylum seekers in the 20 months starting in January 2015. Nearly half of the total, or about 1.1 million people, have gone to Germany, which has drawn 14 incoming asylum seekers per 1,000 inhabitants. Other major arrival countries were Hungary (some 200,000, or 20 per 1,000 inhabitants), Sweden (170,000, or 18 per 1,000 inhabitants), Italy (150,000, or three per 1,000 inhabitants), and Austria (120,000, or 14 per 1,000 inhabitants). Italy and Greece face the additional burden of securing the borders, rescuing refugee ships in distress, and accommodating and registering asylum seekers upon arrival.

If current trends of acceptance rates across Europe continue, we expect that roughly 1.3 million of the 2.3 million arrivals will attain refugee status and remain in Europe for the longer term. This presents Europe with a difficult task—not only in terms of managing the migrants' applications for asylum and the process of repatriating those who are denied. The challenge of integrating those who are granted the right to stay will demand long-term strategies, substantial investment, and the joint commitment of authorities, local communities, and the refugees themselves.

EUROPE NEEDS TO TAKE ACTION TO AVOID THE RISKS ASSOCIATED WITH POOR INTEGRATION—AND TO CAPTURE THE ECONOMIC UPSIDE

Europe faces an imperative to invest real resources into improving asylum procedures, repatriation mechanisms, and integration systems. Beyond the legal and humanitarian arguments, making these improvements is in the continent's self-interest. Europe cannot afford to run the risk of failure. Europe's efforts to integrate migrants have not been highly successful in the past as recent examples across the EU have shown, and repeating this mistake could have adverse consequences for the refugees and their host economies alike. Refugees face the risk of isolation, unemployment, and poverty, while destination countries might experience strained welfare systems and segregated societies.

Managing the asylum procedure and the ongoing challenge of integration is not only about keeping risks at bay. It can also generate economic benefits. Improving outcomes for this current refugee cohort can deliver a positive overall GDP contribution of about €60 billion to €70 billion annually if the refugees are integrated into the labour market and society by 2025. MGI's estimate of the gain is predicated on the assumption that everyone from the 2015–16 cohort who receives approval to stay elects to do so and that successful integration measures help to narrow, although not eliminate, the employment and wage gaps between these roughly 1.3 million refugees and native-born workers. While this is only a marginal increase to the EU's total expected GDP of about €20 trillion by 2025, it is nonetheless a positive opportunity and could establish a template that enables future arrivals to amplify this contribution. Furthermore, given that so many recent arrivals are of prime working age, they represent a potential demographic boost that could benefit aging societies across the continent.

6 of 28

EU member states took in 80%

€60B to €70B

GDP opportunity

Efficient asylum procedures

Additionally, the recent spike in migration speaks to the fact that we now live in a connected and volatile world, and Europe would be well served to put in place systems that respond more effectively to any future surge in migration. While the causes of the 2015–16 surge have not been exhaustively studied, a number of its triggers and enablers remain unchanged. These include instability in countries of origin, the relative attractiveness of Europe, expanding access to information, and the momentum of “beaten pathways”. The closure of EU borders and an agreement between the EU and Turkey to limit migration patterns have limited the number of arrivals in recent months, but similar spikes in the future cannot be ruled out.

ACHIEVING THE POTENTIAL ECONOMIC GAIN NECESSITATES FOCUSING ON RAPID AND STREAMLINED ASYLUM PROCEDURES, AND EFFECTIVE INTEGRATION

First, asylum procedures should quickly determine who needs international protection and should be granted the right to stay. The process encompasses all steps from first contact to the completion of an asylum request (and repatriation if necessary). Bringing all relevant authorities under one roof can ensure efficiency. Data management and effective information technology (IT) systems are the backbone of transparent, efficient processes.

Fast asylum processing saves government resources and reduces the uncertainty for entrants and host countries alike. Simply put, the sooner refugees know that they will be allowed to stay, the sooner they can integrate more permanently, and the sooner governments know that rejected asylum seekers have to return, the sooner the repatriation process can be started. Streamlining the existing asylum systems involves an initial financial outlay, which makes sense in light of the annual savings they can yield.

Since research has found that extended inactivity can slow the integration process, it is important for all asylum seekers to take their first steps towards integration within days of arrival. Governments also need effective return mechanisms for those whose asylum applications are denied. Consistent standards and enforcement are matters of fairness. They ultimately prevent misuse of the asylum system and help governments direct more resources to refugees who are granted the right to stay.

Beyond national asylum strategies, the EU needs policies and instruments that take into account the freedom of movement which binds the Schengen Area. Today member states have shown varied willingness to absorb asylum seekers and have taken different approaches to managing their borders—a situation that has created tension among the countries and destabilised the EU. In the absence of a united strategy, joint management of external borders, and harmonisation of asylum policies and processes, this unequal burden will remain a divisive topic within the EU. Better cooperation among stakeholders and reform of the current system are prerequisites for a more functional future asylum policy.

Moving to the second aspect of integration, the 1.3 million refugees who might be accepted and stay in Europe for the longer term need immediate help to find their way in an unfamiliar society, and they also need support beyond the initial settling-in period. A broad spectrum of integration measures needs to be taken.

This will, and already does, require substantial investments by the public and private sectors. These investments are indispensable for Europe to successfully cope with the inflow of asylum seekers—and they are also unavoidable since the 1.3 million refugees entitled to stay have already arrived. Putting the funds to good use is thus the order of the hour.

4 areas of integration

Most discussions of integration of migrants typically focus on labour market outcomes, but the importance of its social dimensions cannot be underestimated. Refugees need to find jobs, but they also need education, housing, health care, language instruction, and

other supporting services to participate fully in their host societies—and there are many promising initiatives to smooth the journey. The markers of success are difficult to quantify precisely, but we can formulate general aspirations. Successful labour market integration, for example, can mean that the migrants in this cohort obtain jobs commensurate with their skill levels within ten years and achieve an employment rate close to that of the population at large. Successful educational integration can mean that second-generation children achieve school performance on a par with the children of native-born parents. The various levers, summarised in Exhibit E1, are mutually reinforcing. They need to be applied simultaneously in order to take a holistic approach.

A selection of levers along four key areas can facilitate the integration of refugees

Labour market and economic integration: Quickly connecting someone with work has always been one of the main goals in the integration process, although each individual's road map may differ. Minimising the time spent unemployed is key. Refugees should start working as soon as possible, even if other obligations (such as language courses) allow for only part-time work. Governments, particularly national labour agencies, should support them on this path and create the prerequisites. One of the key levers is fast recognition of formal and informal qualifications and further training to ensure that refugees can quickly find work that corresponds to their existing qualifications and skill levels. Norway, for example, introduced a successful national system aimed at recognising skills of migrants who cannot provide documentation of their degrees; 50 percent who had their skills recognised in that manner in 2013 have since found employment or professional training opportunities.

Educational integration: Overall, education is the gateway to successful integration and a productive life for younger refugees and the second generation. Schooling and opportunities for higher education need to be offered for children and young adults. Teachers will need adequate training to prepare them for the particular needs of refugee children..

Housing and health integration: More than a million refugees will need homes as they move from reception centres and settle in a more permanent fashion. Active housing integration measures are essential for avoiding segregation and ultimately for counteracting discrimination. In addition, each country has a basic responsibility to care for and protect the refugees it has taken in. Making thoughtful location choices when settling refugees is a key lever to provide a sufficient infrastructure while not overstraining individual regions. Germany, for example, allocates asylum seekers across the country to ensure distribution and increase opportunities to find jobs and language learning opportunities.

Sociocultural and language integration: Social integration touches on crucial questions of whether refugees can truly put down roots and build a future in their new home country. Language is one of the fundamental factors that determines how fully refugees can participate in society; it allows them to have the daily interactions with neighbours and colleagues that can defuse broader mistrust. Thus, the most important lever is early and obligatory acquisition of the host country language.



It will take carefully crafted policies to meet the logistical and societal challenges of helping new arrivals fit into their communities and reach their full productive potential. The economic and humanitarian stakes associated with getting this right or getting it wrong are high. Substantial funding has already been committed, and now the task is ensuring that it is put to the best use in forward-thinking strategies that cover all aspects of asylum and integration. The countries that make integration a priority will be better positioned to generate better outcomes—not just for immigrant populations but also for their own economies.

Success levers in asylum procedures and four integration areas can lead to better outcomes for refugees and their host communities alike

		Success levers	
		 Structural/regulatory	 Operational
Asylum procedures			<ul style="list-style-type: none">  Quick, fair, and accurate processing of asylum requests with a predictable structure and timeline  Early integration measures during the asylum process for those likely to receive a positive decision  Mechanism for managing repatriation for asylum seekers who received a negative decision quickly, fairly, and humanely
Integration areas	Labour market and economic integration		<ul style="list-style-type: none">  Effective provision of information about job and professional training opportunities  Entry-level opportunities as first steps in the labour market  Fast recognition of formal and informal qualifications and further training  Strong incentives and sanctions to participate in the workforce  Targeted support structures for female employment
	Educational integration		<ul style="list-style-type: none">  Appropriate, extensive, and obligatory schooling for all refugee children and young adults  Adequate teacher training  Effective prevention of segregation in all education environments  Strong support and information for children and parents through education guides  Provide loan, grant, and scholarship schemes for higher education
	Housing and health integration		<ul style="list-style-type: none">  Sufficient provision of affordable housing options  Thoughtful location choices  Targeted preparation of the health-care system for needs of refugees  Reduction of administrative and linguistic barriers in the health-care system
	Sociocultural and language integration		<ul style="list-style-type: none">  Early and obligatory acquisition of the host country language  Understanding of and respect for the values and norms of society (e.g., the role of women)  Mutual social interaction and integration between refugees and natives

NOTE: Areas and levers are cross-divisional and affect each other.

SOURCE: McKinsey Global Institute analysis



1. UNDERSTANDING EUROPE'S NEW REFUGEES

Migration has shaped Europe for millennia. Merchants, craftsmen, mercenaries, artists, and intellectuals have crossed the continent to practise their trades or reinvent themselves. Millions emigrated from Europe to its colonies and eventually to every corner of the globe. Much of this movement has been voluntary, but European history has also been marked by episodes of forced migration, from the expulsion of the Jews from Spain to the humanitarian tragedies of World War II and the more recent population shifts in southeast Europe in the wake of ethnic conflicts and wars.

Despite this history, Europe was caught off guard by asylum seekers who began arriving in an increasing wave in 2015, overwhelming the capacity of many local systems and communities. Yet migration is a part of a more global world, and refugees are the inevitable product of a world in conflict. When wars and sectarian violence convulse the Middle East and Africa, the rest of the world is no longer immune from the implications. The number of refugees and asylum seekers has been spiking in recent years at the global level, and many are undertaking long, perilous trips to advanced economies where they hope to find both a safe haven and the chance to build a better life in a new setting.

REFUGEE MOVEMENTS HAVE BEEN A GROWING GLOBAL PHENOMENON IN THE PAST DECADE

As of 2015, 222 million people worldwide had migrated across borders voluntarily and were living in a country not of their birth.¹ A much smaller share, some 24.5 million, have been forced to flee their home countries because of persecution and conflict (see Box 1, “Defining refugees and asylum seekers”). Their numbers have grown sharply in recent years, up from 16.2 million in 2010.²

Although asylum seekers in Europe constitute a relatively small part of the larger global phenomenon of migration, this rapid increase has galvanised the world’s attention—and in 2015, the challenge landed on Europe’s doorstep. An unprecedented surge of asylum seekers, many of them fleeing conflict in the Middle East and Africa, has challenged the continent’s ability to respond.

¹ *People on the move: Global migration’s impact and opportunity*, McKinsey Global Institute, December 2016.

² *Global trends: Forced displacement in 2015*, United Nations High Commissioner for Refugees (UNHCR), June 2016; *Global trends 2010: 60 years and still counting*, UNHCR, 2011. In total, some 65 million people worldwide have been forced from their homes, but the vast majority remain within the borders of their countries of origin. The plight of this internally displaced population is beyond the scope of this report.

Box 1. Defining refugees and asylum seekers

We distinguish between two broad categories of migration: voluntary migrants, and refugees and asylum seekers.¹ Voluntary migrants are those who move from one country to another by choice, often to pursue specific economic opportunities. In contrast, refugees and asylum seekers are those who were compelled to flee to another country.

Asylum seekers request safe haven based on their assertion that a return to their home country is impossible because of persecution based on race, religion, national origin, political opinion, or membership in a social group. In the member states that make up the EU, asylum applications are considered and processed according to the guidelines of the 1951 Geneva Convention.² If their application for asylum is approved, they either obtain refugee status and

are granted the right to stay or, if they do not meet the very restrictive definition of refugee status, are granted “subsidiary protection” according to EU law.³ This status is granted to individuals who would face a real risk of suffering serious harm in their country of origin. Both groups are allowed to stay in Europe for a defined time frame after which their individual situation is evaluated again. In this report we include both the group with official refugee status and the group granted “subsidiary protection” as refugees who are allowed to stay in their host countries.

Asylum seekers whose claims of international protection are denied altogether by an EU member state become subject to repatriation.

¹ Refugees and asylum seekers are part of a broader phenomenon of forced migration. The data in this report refers only to refugees and asylum seekers as defined by the United Nations High Commissioner for Refugees (UNHCR), although MGI acknowledges that forced migrants are not only refugees and asylum seekers. The decision to grant refugee status is often political, and many people fleeing conflict do not fit the legal definition of a refugee. The International Organization for Migration, for example, defines forced migration more broadly as “a migratory movement in which an element of coercion exists, including threats to life and livelihood, whether arising from natural or man-made causes (e.g., movements of refugees and internally displaced persons as well as people displaced by natural or environmental disasters, chemical or nuclear disasters, famine, or development projects)”. However, due to data availability, MGI takes global estimates and definitions of refugees and asylum seekers from the UNHCR. Irregular migration is not addressed in this category, unless already contained within UNHCR estimates.

² As part of establishing the Geneva Convention, the European Union established common guidelines in EU Directive 2004/83/EC.

³ Directive 2011/95/EU lays down standards for the qualification of individuals as eligible for subsidiary protection, which applies to those who face “(a) death penalty or execution; or (b) torture or inhuman or degrading treatment or punishment of an applicant in the country of origin; or (c) serious and individual threat to a civilian’s life or person by reasons of indiscriminate violence in situations of international or internal armed conflict”.

Many asylum seekers are from war-torn regions in the developing world, and they most commonly flee to neighbouring countries. This pattern has always placed the heaviest refugee burden on developing regions, which host more than 85 percent of the world’s cross-border refugees (Exhibit 1).³ In 2015, almost 50 percent were concentrated in the Middle East and North Africa, and 22 percent were in sub-Saharan Africa.⁴ Some of the biggest recent movements have been from Syria to Turkey, Lebanon, and Jordan; from Afghanistan to Pakistan and Iran; and from Somalia and Sudan to other countries in Africa.

The largest numbers are fleeing Syria’s protracted civil war, which began with a government crackdown on Arab Spring protests. Military factions defected in an attempt to overthrow the Bashar al-Assad regime, and the conflict escalated as foreign militants (including Islamic State forces) were drawn in. The conflict has claimed hundreds of thousands of lives and created an exodus that accounted for almost two-thirds of the growth in refugees and asylum seekers between 2010 and 2015. Some 2.5 million refugees and asylum seekers, or about 10 percent of this population worldwide, were located in Europe at the end of 2015. This stock number includes asylum seekers who had newly arrived as well as those who were already living in the region (minus those who had left Europe, either voluntarily or because their asylum claims were rejected). It reflects cumulative migrant population growth over the years as well as the influx that occurred in 2015.

³ Data on refugees and asylum seekers combined from UNHCR and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA). These are global stock numbers, measuring the total population of refugees and asylum seekers in a particular destination at the end of 2015.

⁴ *Global trends: Forced displacement in 2015*, UNHCR, June 2016.

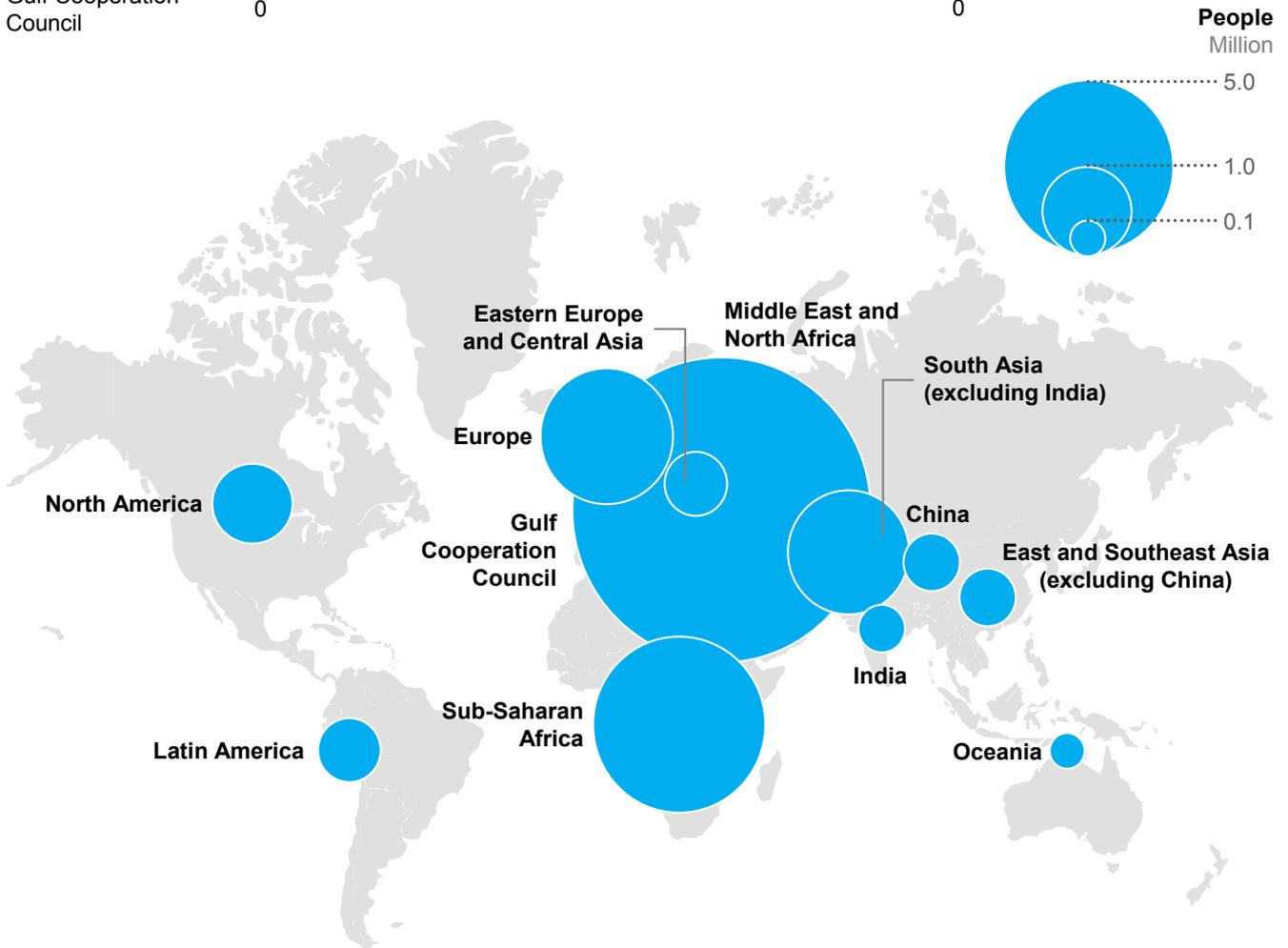
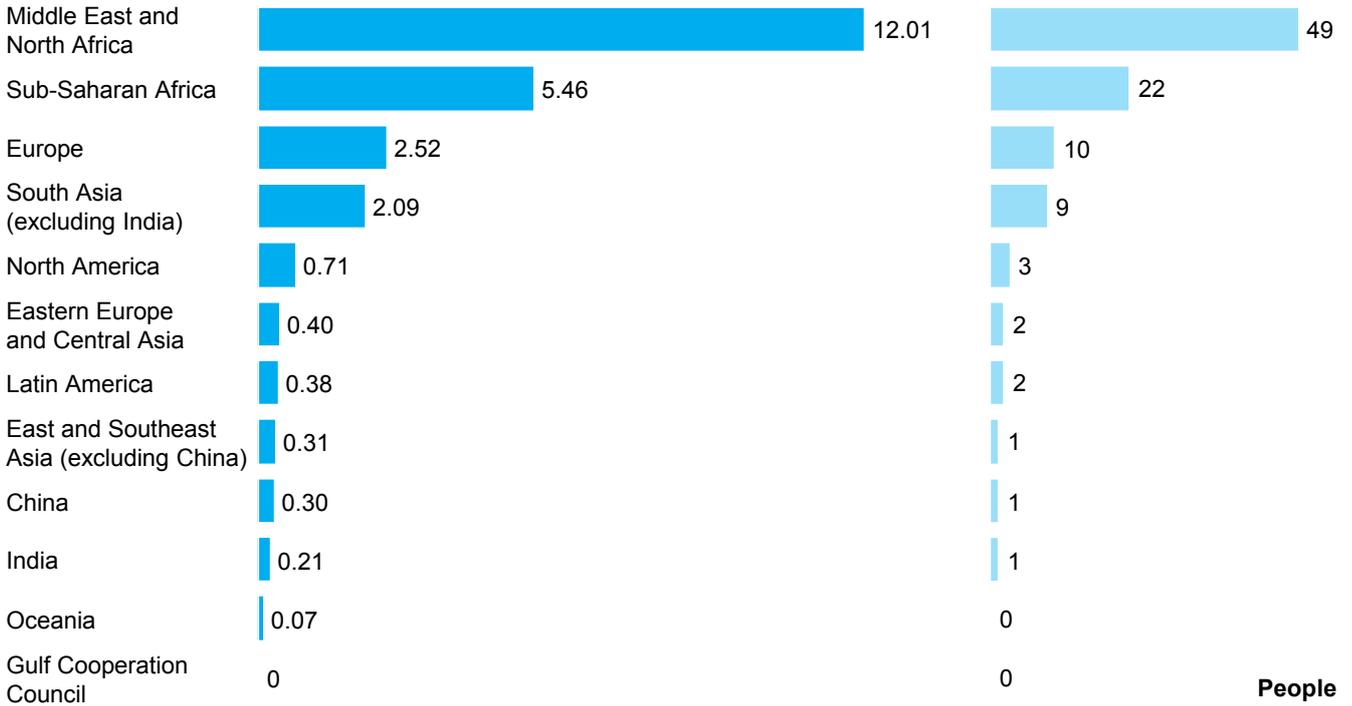
Ten percent of the world's refugees and asylum seekers were in Europe at the end of 2015

Stock of refugees and asylum seekers by arrival region, 2015

Million

Share of total stock

%



SOURCE: United Nations High Commissioner for Refugees (UNHCR); United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA); McKinsey Global Institute analysis

In contrast to stock numbers, flow numbers focus on new arrivals within a given period of time, independently of how many migrants were already present. This report largely focuses on recent refugee flows. In 2015 alone, approximately 1.8 million asylum seekers reached the European continent. In 2016, roughly an additional half million arrived through August, bringing the total inflow for the 20-month period to 2.3 million.⁵

THE RECENT SURGE OF ASYLUM SEEKERS IS UNLIKE ANYTHING EUROPE HAS EXPERIENCED SINCE THE AFTERMATH OF WORLD WAR II

This unprecedented arrival of about 2.3 million people requesting asylum in Europe was small compared with forced migration movements globally. Nevertheless, the European public, politicians, and the media were riveted by these events. For months, reporting on the boatloads of asylum seekers reaching Greek and Italian shores, uproar along the Balkan route, and overcrowded refugee camps dominated the headlines—and the intense coverage went hand in hand with high levels of public anxiety about immigration across Europe.⁶ This reaction may seem disproportionate considering the scale of the refugee challenge in the developing world. But part of the unease may be due to the fact that this wave came on the heels of years of recession and austerity in many European countries. People who have felt the brunt of this downturn may be inclined to view asylum seekers as another threat to their prosperity. A recent MGI survey of native-born populations in France, the United States, and the United Kingdom with falling incomes found that 28 percent of this group felt that legal immigrants are ruining the culture and cohesiveness in society.⁷

In addition, the surge of people seeking asylum took Europe by surprise. People and institutions were not prepared to meet the challenges presented by the seemingly sudden influx of more than two million asylum seekers in a span of just 20 months. Even at the height of the Balkan wars in 1992, some 700,000 people requested asylum in European countries in one year. But the recent wave has been of a wholly different magnitude (Exhibit 2).⁸ Europe has been experiencing its largest influx of asylum seekers since the aftermath of World War II.

Even before 2015, the number of incoming asylum seekers had been climbing, from roughly 260,000 in 2010 to 630,000 in 2014. But the numbers spiked unexpectedly in 2015. In a single month, more than 200,000 people landed on the shores of Greece, sometimes at a rate of up to 10,000 per day.⁹ The immediate response stretched the capacity of government officials. A diverse set of actors from civil society—including non-governmental organisations, religious organisations, civil associations, and countless individual volunteers—stepped up and invested their time and energy in helping to meet the needs of these new arrivals.

⁵ Eurostat flow data on monthly first-time asylum applicants between January 2015 and August 2016. Flows demonstrate how many migrants have moved across borders in a given period of time. Due to difficulties in measuring inflows and in particular outflows of migrants, stocks and flows are not always comparable. The numbers for Europe refer to the EU-28 plus Norway and Switzerland unless otherwise stated. Inflows are measured using initial asylum applications. Data for Germany were replaced by data from the Federal Ministry of the Interior and EASY registration numbers from the German Federal Office for Migration and Refugees and a factor of 18 percent was subtracted for miscounting and onward journeys. Asylum application data would have been misleading due to a significant backlog in the filing of asylum applications in Germany, which existed during much of the period. August 2016 data for Croatia, Cyprus, Greece, Ireland, Liechtenstein, Luxembourg, Portugal, Romania, Spain, and Switzerland were missing and thus estimated by applying the average growth rate for July and August 2016 across Europe, excluding outliers, to July 2016 data.

⁶ Mike Berry, Inaki Garcia-Blanco, and Kerry Moore, *Press coverage of the refugee and migrant crisis in the EU: A content analysis of five European countries*, report prepared for the United Nations High Commissioner for Refugees, December 2015.

⁷ *Poorer than their parents? Flat or falling incomes in advanced economies*, McKinsey Global Institute, July 2016.

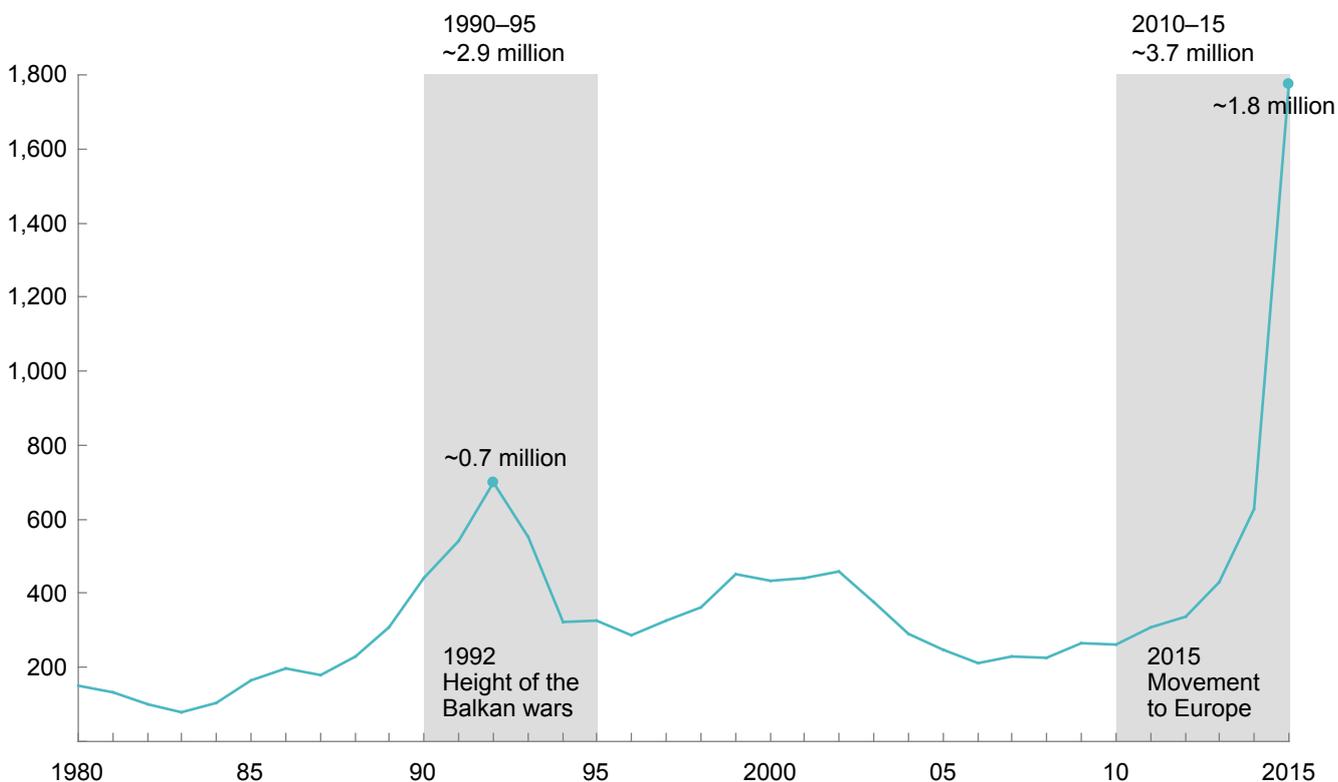
⁸ Historical data from OECD, more recent data from Eurostat (starting 2008); data for Germany were replaced by EASY registration data minus 18 percent for double registrations and onward travel; estimate by the German Federal Office for Migration and Refugees

⁹ Refugees/migrants emergency response—Mediterranean, nationality of arrivals to Greece, Italy, and Spain, UNHCR, October 2016, <http://data.unhcr.org/mediterranean>.

Europe has recently experienced its largest wave of incoming asylum seekers since World War II

Historical arrivals to Europe (asylum applications)

Thousand



SOURCE: OECD; Eurostat; German Federal Ministry for the interior; McKinsey Global Institute analysis

The new arrivals have not dispersed evenly across Europe (Exhibit 3).¹⁰ The differences are due partially to varying attractiveness of destination countries for the migrants and are partially influenced by governments' actions. Consequently, arrivals in Denmark, Poland, or Bulgaria were much lower than in Germany or Sweden. Nearly half of the asylum seekers arriving in the 20 months from January 2015 to August 2016, about 1.1 million people, went to Germany, which amounted to 14 incoming asylum seekers per 1,000 inhabitants.¹¹ Other major arrival countries were Hungary, Sweden, Italy, and Austria.¹² Beyond the challenge of hosting large numbers of asylum seekers, Italy and Greece, as frontline countries towards the south, face the additional burden of administering the arrivals, often in peak waves. Their tasks of securing the borders and rescuing refugee ships in distress, as well as accommodating and registering immediate arrivals, cannot be underestimated. Hungary and Austria also experienced huge numbers of asylum seekers passing through in transit, with many making their way to Germany or Scandinavia. Overall, the surge of asylum seekers had a measurable impact on all countries, but the characteristics and the magnitude of the effects differed strongly across Europe (see Box 2, "Overview of the European asylum system").

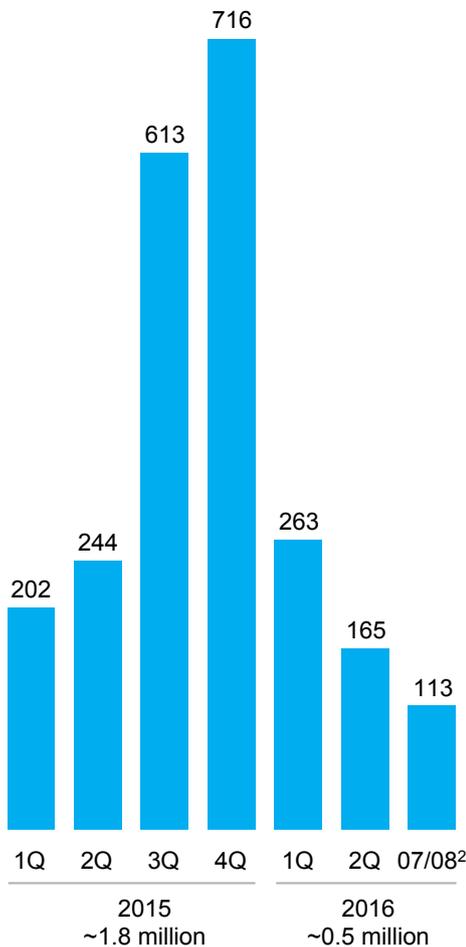
¹⁰ Eurostat data on monthly first-time asylum applicants between January 2015 and August 2016, as of October 2016. To show developments across the timeline, German numbers were adapted: EASY registration data minus 18 percent for double registrations and onward travel.

¹¹ 2015 data from the Federal Ministry of the Interior, 2016 data are EASY registration minus 18 percent for double registrations and onward travel; estimate by the German Federal Office for Migration and Refugees.

¹² Eurostat data on monthly first-time asylum applicants for January 2015 to August 2016, as of October 2016.

Since the beginning of 2015, approximately 2.3 million asylum seekers have come to Europe—and half of them went to Germany

Arrivals of asylum seekers to Europe¹
Thousand



The top six receiving countries accounted for ~80% of asylum seekers
Thousand

Country	Arrivals (Thousand)	% of total arrivals to Europe	Asylum seekers per 1,000 inhabitants
Germany	1,099	48	14
Hungary	199	9	20
Sweden	172	8	18
Italy	155	7	3
France	119	5	2
Austria	116	5	14
United Kingdom	66	3	1
Switzerland	57	2	7
Netherlands	55	2	3
Belgium	49	2	4
Greece	37	2	3
Finland	36	1	7
Norway	33	1	6
Bulgaria	32	1	4
Denmark	26	1	5
Spain	24	1	1
Poland	18	1	0
Other ³	24	1	0

1 EU-28 plus Norway and Switzerland.

2 Data for September 2016 not yet available.

3 Croatia, Cyprus, Czech Republic, Estonia, Iceland, Ireland, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Portugal, Romania, Slovakia, and Slovenia combined.

NOTE: Numbers may not sum due to rounding.

SOURCE: Eurostat, January 2015 to August 2016; McKinsey Global Institute analysis



Box 2. Overview of the European asylum system

The surge of asylum seekers dominated headlines across Europe throughout 2015 and 2016. It has affected all European countries, albeit to sharply varying degrees. The political reality of “Europe” is, of course, complex. Policies on asylum and integration are, like many others, set between many actors of the EU and its member states. The EU principle of subsidiarity calls for the EU to become active only when it is better positioned to do so than its individual member states. The recent surge of 2.3 million asylum seekers and the resulting challenges seem to fit that criterion: because of the Schengen Agreement and free

movement of labour within the EU, immigration can hardly be controlled by a single country, and the external borders of the EU can be secured more efficiently with a united approach.

Furthermore, asylum systems are not homogeneous across member states. Depending on where asylum seekers go in Europe, they do not find uniform odds for approval or denial of their asylum applications.¹ For example, the average acceptance rate for asylum seekers from Pakistan was 13.5 percent in Germany compared to 40.5 percent in Italy in the period from the first quarter of 2015 until the second quarter of 2016.² The living conditions and availability of support services also vary across countries.³ These differences

can lead to further uncontrolled movement from point to point within Europe—a situation that could be addressed by EU-level coordination.

Yet member states retain a great degree of sovereignty in these areas given the importance of their own national interests. The multitude of stakeholders involved complicates the process of agreeing on a common strategy and implementing it smoothly.

That being said, the EU has made much progress towards developing an integrated asylum system, having established a number of respective institutions since the late 1990s to handle migrant management such as the European Asylum Support Office. Spurred by the recent challenges, the European Commission presented its European Agenda on Migration in 2015, putting questions of migration at the centre of its policy focus. It entailed measures for immediate response, such as increasing funding for rescue missions in the Mediterranean Sea and suggestions for amending the EU migration and asylum policies, as well as an outlook on a possible long-term strategy beyond this crisis. A series of proposals that has since been submitted under this framework to improve responses to the situation is still under discussion. For example, the European Commission introduced a communication to reform the Common European Asylum System in April 2016.⁴

Since 1997, the so-called Dublin system has officially regulated which EU state is responsible for processing an applicant's asylum request.⁵ In general, this is the first country of entry, but a European Commission proposal to incorporate a "solidarity mechanism" that can be triggered during high-intensity periods is being reviewed by member states. While the actual decision for any given asylum request currently rests with a member state, the Common European Asylum System sets forth non-binding standards for how asylum

seekers should be treated and how their claims should be processed. This is meant to ensure that asylum seekers will find uniform odds across EU countries for the approval or denial of their asylum applications. Since member states have continued to conduct individual proceedings, the European Commission is seeking to further harmonise criteria for international protection across the EU and to make the legal framework binding for member states.⁶

The European Asylum Support Office, which was founded in 1986 to support member states in the implementation of this system, is set to evolve into a full-fledged agency with expanded responsibilities. The European Dactyloscopy database (EURODAC) stores fingerprints from asylum applicants across the EU; a current proposal seeks to expand its functionality and rights to data storage. The planned changes also address security concerns about asylum seekers entering Europe to enable transparency regarding their background. And finally, the EU is becoming increasingly active in securing borders, a task traditionally left to member states. In October 2016, the border management agency Frontex was relaunched as the European Border and Coast Guard Agency, with a strengthened mandate and enhanced tasks and responsibilities. It now enforces common standards of management along the external borders of the Schengen Area and coordinates member states' actions. The agency also assists in returns of migrants.

These regional bodies and frameworks all focus on the immediate issues of managing migrant inflows. But that is only the first step in a multifaceted and years-long process of integrating refugees into society—a responsibility that remains in the hands of member states. Each one now faces the challenge to coordinate policies and practices across multiple agencies and ministries as well as provincial and city governments.

¹ Elspeth Guild and Sergio Carrera, Rethinking asylum distribution in the EU: Shall we start with the facts? Centre for European Policy Studies, June 2016.

² Eurostat data on first instance decisions on applications by citizenship for January 2015 to June 2016 as of November 2016.

³ Eva-Maria Poptcheva and Andrej Stuchlik, Work and social welfare for asylum-seekers and refugees: Selected EU member states, European Parliamentary Research Service, December 2015.

⁴ "Towards a reform of the Common European Asylum System and enhancing legal avenues to Europe", communication from the European Commission to the European Parliament and the European Council, April 2016.

⁵ "Convention determining the state responsible for examining applications for asylum lodged in one of the member states of the European Communities (97/C 254/01)", Official Journal of the European Communities, August 1997.

⁶ The qualification directive is set to be replaced with a binding regulation, which is immediately applicable without the further need for national legislation.

THE RECENT SURGE IN EUROPE DIFFERS FROM THE GLOBAL POPULATION OF REFUGEES AND ASYLUM SEEKERS AND FROM EARLIER ARRIVALS

Apart from its sheer size, which is creating ripple effects in economies and societies across the continent, the recent flow of asylum seekers arriving in Europe differs from previous arrivals in terms of demographics, origins, and the pattern of the journeys taken.

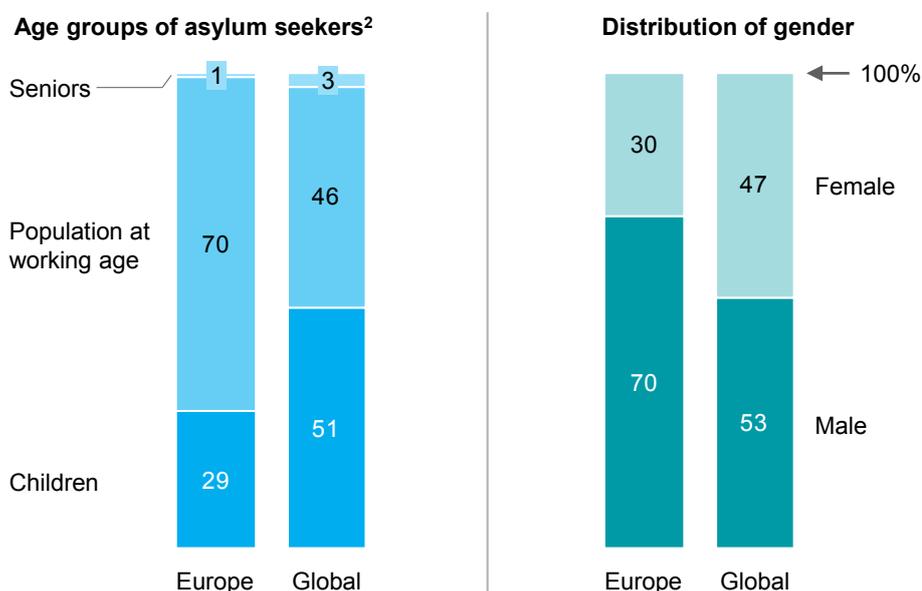
Europe's new arrivals include a higher share of men and a lower share of children than the global population of asylum seekers

Europe's recent arrivals have a different demographic profile than the broader population of asylum seekers globally (Exhibit 4).¹³ Some 70 percent of the asylum seekers who arrived in Europe in 2015–16 were male, while the global refugee and asylum seeker population in 2015 was more evenly balanced by gender. Furthermore, some 30 percent in Europe were age 17 or younger, roughly 50 percent were between the ages of 18 and 34, and some 20 percent were ages 35 to 64. Globally, children made up approximately half of the population of asylum seekers in 2015.¹⁴ The predominance of young men among Europe's recent surge of asylum seekers may reflect the difficulty and danger of the journey from places such as Syria, Afghanistan, and Iraq to European shores. These demographics may become more balanced over time as wives and children eventually join men in the destination countries.

Exhibit 4

The asylum seekers who have come to Europe since 2015 are predominantly young and male

Percent of total¹



¹ Age and gender distributions based on asylum applications in Europe between January 2015 and August 2016

² Age groups of asylum seekers in Europe data: Children (0-<18), population at working age (18-<65), seniors (>65); in global data: Children (0-<18), population at working age (18-<60), seniors (>60)

SOURCE: Eurostat; UNHCR; McKinsey Global Institute analysis

Many asylum seekers are now travelling longer distances to reach Europe

The majority of people seeking asylum in Europe since the beginning of 2015 undertook long and often treacherous journeys from distant developing countries. Exhibit 5 shows the major countries of origin for the current cohort, such as sub-Saharan Africa and the Middle East and North Africa.¹⁵ More than half hail from just three countries: Syria (29 percent), Afghanistan (15 percent), and Iraq (10 percent). Others came from places such as Pakistan and Eritrea. By contrast, in the previous period of peak migration from 1990 to 1993, almost half of the migrants entering Europe came from the Balkan countries of the former Yugoslavia, Romania, and Bulgaria.¹⁶

¹³ Eurostat data on monthly first-time asylum applicants between January 2015 and August 2016, as of October 2016.

¹⁴ *People on the move: Global migration's impact and opportunity*, McKinsey Global Institute, December 2016.

¹⁵ Eurostat data on monthly first-time asylum applicants between January 2015 and August 2016, as of October 2016; countries in the Middle East and North Africa region are Algeria, Cyprus, Egypt, Iran, Iraq, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Sudan, Syria, Tunisia, Turkey, Western Sahara, and Yemen.

¹⁶ "Asylum-seekers in Europe 1985–1995", *Eurostat, Statistics in focus: Population and social conditions*, issue number 1, January 1996.

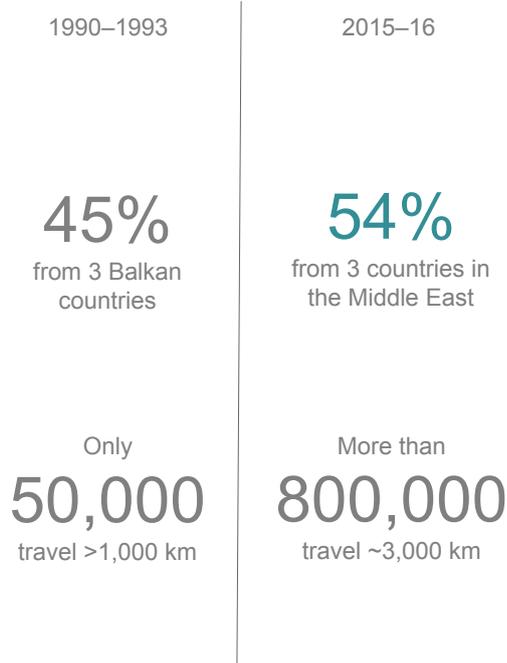
Overall, asylum seekers today seem to be covering greater distances to seek safe haven than in the past. In the early 1990s, only about 50,000 asylum seekers annually from the major countries of origin travelled substantially more than 1,000 km (kilometres) to reach Europe.¹⁷ In 2015, more than 800,000 travelled very long distances averaging 3,000 km.¹⁸ This is exceptional not only for Europe. The current cohort has travelled distances exceeding the largest traditional country-to-country routes of asylum seekers of the postwar period, most of which run between neighbouring developing countries. Among these refugee corridors are Afghanistan to Pakistan and to Iran in the late 1980s and early 1990s, and recent movements from Syria to Turkey and from the State of Palestine to Jordan.¹⁹ None of these distances exceeds 500 km.

The size of the flows from distant developing countries to Europe is also unprecedented. In the five-year period from 2008 to 2012, a total of 120,000 asylum seekers travelled from Iraq to Europe, forming the largest group of arrivals. An equal number of Iraqis arrived in 2015 alone.²⁰ The war in Iraq was as intense in this earlier period as it has been recently (in 2007–08, for example, Iraq experienced war casualties comparable to the number in 2014–15), indicating that an uptick in violence may not explain this pattern of more Iraqis seeking asylum in Europe.²¹

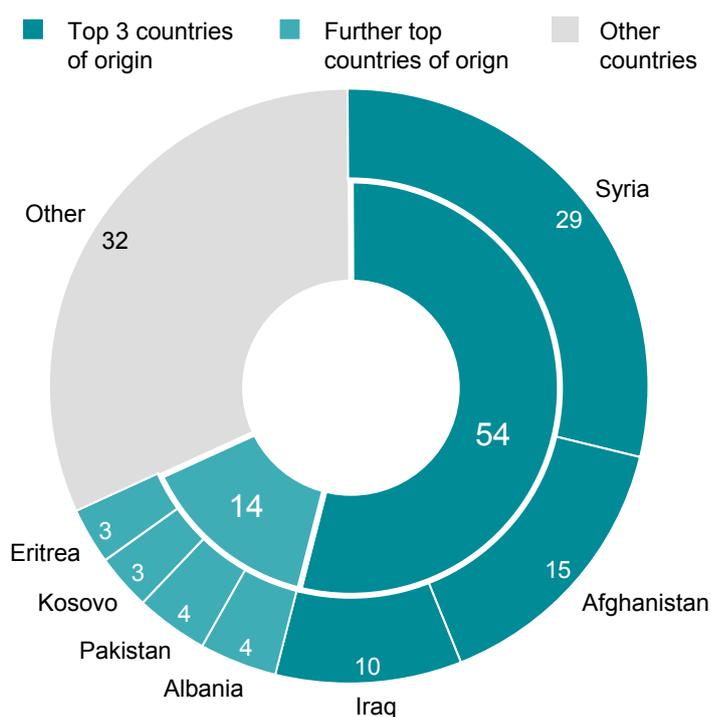
Exhibit 5

Approximately 55 percent of asylum seekers who came to Europe in 2015–16 are from Syria, Afghanistan, or Iraq

Asylum seekers travel further ...



Share of asylum seekers, by country of origin¹



1 EU-28 plus Norway and Switzerland, 100% = 2.3 million.

SOURCE: Eurostat, 1996 and January 2015 to August 2016; McKinsey Global Institute analysis

¹⁷ Analysis based on *ibid.*

¹⁸ Eurostat data on monthly first-time asylum applicants between January 2015 and August 2016, as of October 2016.

¹⁹ *Forced migration top corridors 1951–2014*, information provided by UNHCR as of August 2016.

²⁰ Eurostat data on monthly first-time asylum applicants between January 2015 and August 2016, as of October 2016.

²¹ The database Iraq Body Count estimates the number of casualties in Iraq in 2007–08 to be 36,500 and in 2014–15 to be 37,500, www.iraqbodycount.org/.

Many asylum seekers now seem to have a pattern of moving beyond their first destination country

Asylum seekers fleeing the threat of violence in their home countries typically cross the border to a neighbouring country and seek safety there, hoping to return to their homes once circumstances improve.²² This held true in 2014–15. About 90 percent of all asylum seekers from Syria, Afghanistan, and Iraq, for example, were still in neighbouring countries at the end of 2015.²³ This is not a surprise, given the geographic proximity between these countries and their cultural similarities. Travelling onward to Europe from these regions requires covering long distances and facing dangerous sea passages and border crossings.

Yet in 2015 and early 2016, a two-step pattern of irregular secondary movement seems to have come into play.²⁴ After finding harsh conditions or encountering an inability to find enough work to make a living in their first stop, an increasing number of asylum seekers defied the risks of the journey and set out for Europe.²⁵ Many Syrians who have travelled across the Turkish border, for example, have found themselves in very challenging circumstances, and some are unaccounted for. Despite enormous efforts from the government, local authorities, and host communities, these refugee populations often have limited access to information, registration, and public services such as education and health care.²⁶ In 2013, more than half of the Syrian refugees in Turkish communities earned less than \$250 per month, far less than the net minimum wage in Turkey of approximately \$450.²⁷ Syrian refugees face similarly limited livelihoods in Lebanon and Jordan. Those who are economically active are either unemployed or working in low-skill, low-paid jobs without any form of protection.²⁸ Surveys by the United Nations High Commissioner for Refugees (UNHCR) found that approximately 50 percent of Syrian asylum seekers arriving in Greece reported that lacking the ability to earn a livelihood motivated them to move on from transit countries; an additional 20 percent left to avoid discrimination. In making the decision to move onward to a chosen destination country in Europe, many migrants also weighed factors such as wanting to reunite with family members and fellow countrymen, welfare systems, labour market conditions, respect for human rights, and the quality of public education.²⁹

This two-step pattern of fleeing first to an initial safe haven and then searching for a viable place to live could influence the longer-term decisions of migrants to stay or to return to their home countries and needs to be taken into account when shaping Europe's asylum systems. In this case, since coming to Europe was a deliberate choice, the refugees might be more inclined to stay even after the reason for their departure has passed. For those who moved on from Africa or the Middle East to Europe, a return to their homeland also entails a more difficult and expensive journey now than simply crossing over one border. This pattern could affect these asylum seekers' future choices, making them stay in their country of choice in the longer term.

²² *Global trends: Forced displacement in 2015*, UNHCR, June 2015.

²³ UNHCR, stock data.

²⁴ Academic and policy experts have long recognised the phenomenon of irregular secondary movements among forced migrants of all kinds. But its emergence on this scale is nevertheless new for Europe.

²⁵ See, for example, *Growing restrictions, tough conditions: The plight of those fleeing Syria to Jordan*, Amnesty International, October 2013; and Victoria Metcalfe-Hough, *The migration crisis? Facts, challenges and possible solutions*, Overseas Development Institute briefing, October 2015.

²⁶ *Turkey: Refugee crisis*, European Commission Humanitarian Aid and Civil Protection fact sheet, September 2016.

²⁷ *Syrian refugees in Turkey*, 2013, Republic of Turkey Disaster and Emergency Management Presidency, 2013; current minimum wage calculations, Turkish Ministry of Labour and Social Security, 2016.

²⁸ *Assessment of the impact of Syrian refugees in Lebanon and their employment profile*, International Labour Organisation, April 2014; *Syrian refugees: Inter-agency regional update*, UNHCR, March 2015.

²⁹ *Profiling of Syrian arrivals on Greek Islands in February/March 2016*, UNHCR, February/March 2016. Surveys conducted among 736 and 524 Syrians, respectively, in the two months.

New patterns of asylum seeker and refugee flows affect European asylum decisions

Under the terms set out in international law, not all of the approximately 2.3 million asylum seekers who have come to Europe can be granted refugee status and the right to stay. Only those whose claims to international protection are deemed legitimate by host countries can remain.

Given that many of the recent asylum seekers are from war-torn parts of the world, the rate of positive asylum decisions increased by 11 percentage points between the first quarter of 2015, when it was 48 percent, and the second quarter of 2016, when it was 59 percent.³⁰ Of the approximately 1.1 million asylum applications that have been processed since the beginning of 2015, slightly more than half have been approved (Exhibit 6).³¹ This means that some 500,000 people will have to return to their home countries. Assuming that this approval rate holds steady for the remaining applications, approximately 1.3 million of the 2.3 million people who have made their way to Europe will be entitled to stay under international protection. If they are in Europe to stay, it is critical to step up efforts to help them integrate.

The migrants who have typically been granted asylum on average have a very different country of origin profile than those who are likely to be rejected. Applicants from Afghanistan, Eritrea, Iran, Iraq, and Syria, countries scarred by violence, had a rejection rate of only 23.1 percent over the 18-month period of January 2015 through June 2016.³² But those from origin countries deemed to be “safe” by the EU (including Albania, Bosnia and Herzegovina, Macedonia, Montenegro, Serbia, and Turkey), often very poor and economically untenable countries, have had high rejection rates of 99.4 percent across Europe in 2015–16.³³ Asylum applications from North Africa also tend to have high rejection rates; 92 percent of asylum applications from Algeria, Morocco, and Tunisia were not approved in the period of January 2015 through June 2016.³⁴ These rejected migrants are likely to be repatriated. They are offered the option to return voluntarily, which often involves financial support by the host government. If rejected asylum seekers refuse to leave, they are subject to forced repatriation by authorities.

³⁰ Eurostat data on first-instance decisions on asylum applications between January 2015 and June 2016, as of October 2016; quarterly data and thus available only up to the second quarter of 2016.

³¹ *Ibid.*; current approval rate across Europe was used to predict decisions on pending asylum requests.

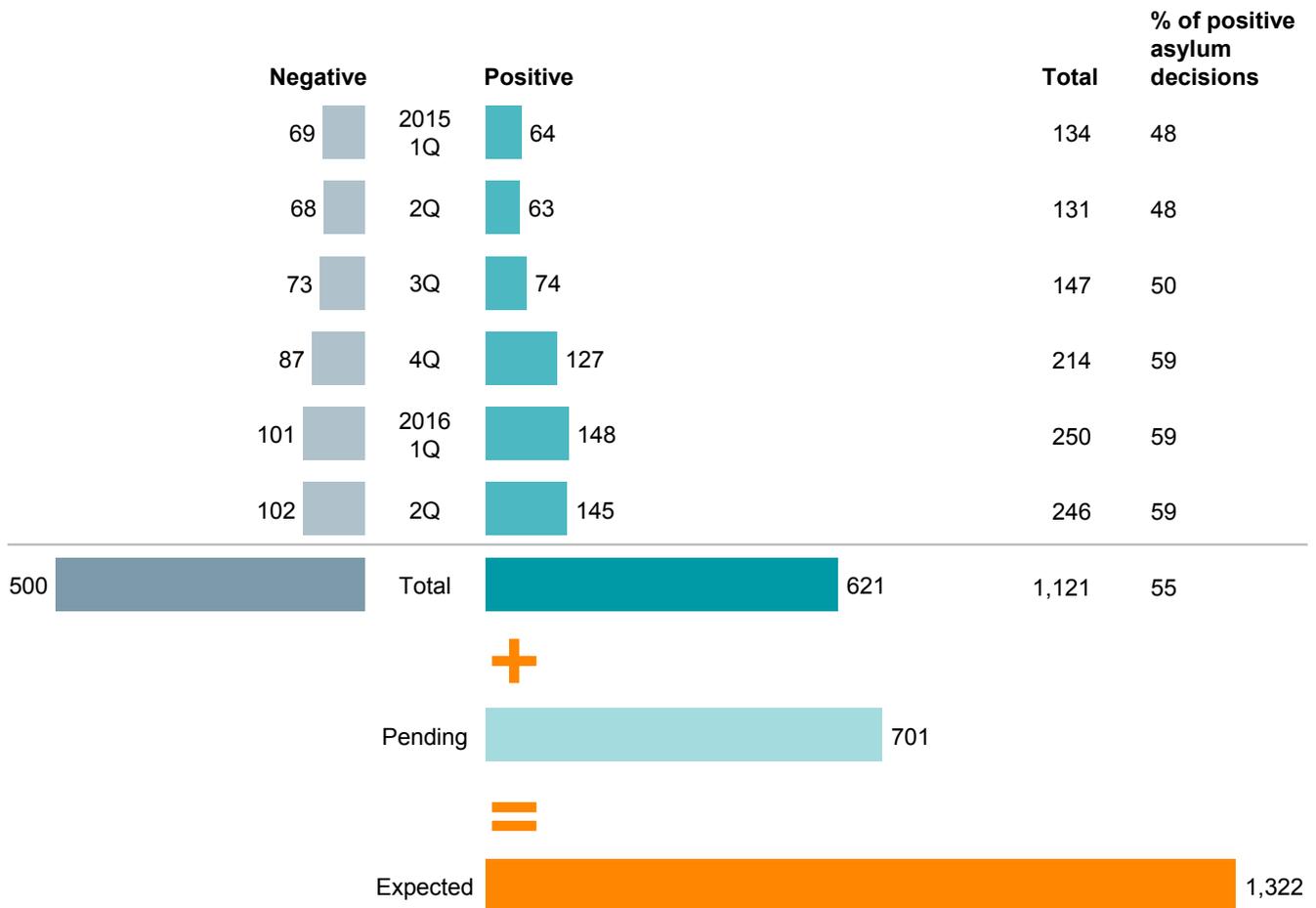
³² Eurostat data on first-instance decisions on asylum applications between January 2015 and June 2016, as of October 2016.

³³ “An EU ‘safe countries of origin’ list”, European Commission, http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/european-agenda-migration/background-information/docs/2_eu_safe_countries_of_origin_en.pdf.

³⁴ Eurostat data on first-instance decisions on asylum applications between January 2015 and June 2016, as of October 2016.

Of these 2.3 million, we estimate that approximately 1.3 million will receive an international protection status and stay in Europe in the longer term

Asylum decisions in European countries¹
 Thousand



¹ EU-28 plus Norway and Switzerland.

SOURCE: Eurostat; McKinsey Global Institute analysis



The surge of asylum seekers who arrived in 2015–16 may be only a small part of a broader global phenomenon, but they nevertheless represented an unprecedented challenge for Europe. Because of their demographics, the circumstances in their countries of origin, and the two-step nature of the perilous journeys they have taken, it is logical to assume that many will stay. A failure to integrate them is not an option. As the next chapter will discuss, a great deal is at stake in getting this right.





2. EUROPE'S IMPERATIVE: IMMEDIATE ACTION AND A LONG- TERM STRATEGY

Although the number of asylum seekers coming to Europe has declined in recent months from its peak in the summer of 2015, the challenge posed by this wave of new arrivals has only begun. Their presence is a reality that presents Europe with a stark choice: design a strong and comprehensive strategy for integration, or risk creating an isolated, dependent population for the very long term. Designing a comprehensive and thoughtful integration strategy is an imperative for Europe—not only to avoid the downside risks but also to secure the potential economic benefits and demographic boost this young cohort of refugees can provide.

Europe keenly feels its responsibility to help refugees fleeing war and oppression and requiring international protection. It is legally bound to do so under the United Nations Convention Relating to the Status of Refugees, created in 1951 in response to the continent's own postwar history of violent forced migrations, which produced tens of millions of refugees. This international agreement obliges states to extend formal protection to those who are persecuted for reasons such as race, religion, or political opinions—and Europe is actively committed to this principle. Moreover, the EU's founding treaties enshrine the “universal values of the inviolable and inalienable rights of the human person”.³⁵ Apart from the continent's obligations under international law, many Europeans feel a moral calling to offer aid and resources to refugees who need help. This impulse has been plain to see in the actions of tens of thousands of volunteers who have met desperate asylum seekers with support, assistance, and kindness.

Beyond the legal and humanitarian arguments, however, it is in Europe's self-interest to focus on improving asylum procedures and integration systems. Member states' efforts in the past to integrate migrants have not always been highly successful.³⁶ Repeating these mistakes could have adverse consequences in the future. Despite the relatively small size of this recent group of incoming asylum seekers, which accounts for only about 0.45 percent of the EU's total population, the economic, political, and social effects of their presence are uncertain. This holds particularly true for the three countries that have accommodated a larger share of asylum seekers than other European countries: Germany, which took in 1.1 million asylum seekers, Hungary (200,000), and Sweden (170,000). Failure to address integration effectively can have negative implications for migrants and their host economies alike, while a successful approach can unlock significant economic and human potential.

Furthermore, the recent cohort of migrants may not be the last wave of this magnitude to arrive in Europe. Looking at what has triggered and enabled the recent surge points towards the possibility that high levels of migration could persist or recur. Migration is a key feature of a more interconnected world with a global labour market, and the phenomenon is expected to continue. Finding solutions to address the current challenge can prepare Europe to handle these eventualities more effectively—and even to capture the economic upside.

³⁵ Treaty of Lisbon Amending the Treaty on European Union and the Treaty Establishing the European Community, European Union, Preamble, December 2007.

³⁶ *Indicators of immigrant integration 2015: Settling in*, OECD, July 2015.

TODAY'S HANDLING OF ASYLUM AND INTEGRATION WILL HAVE LONG-TERM IMPLICATIONS

The arrival of millions of asylum seekers in 2015 and 2016 has been a sudden event, but it will continue to play out for years to come—and the outcome is still to be determined. Europe cannot afford the consequences of failing to integrate the refugees who stay. Conversely, the countries that are successful can capture upside potential in the form of a demographic and GDP boost. A great deal comes down to Europe's ability to manage the multifaceted challenges of helping these new arrivals get work and find their place in their host countries.

Failing to integrate migrants creates the risk that states will bear a future burden

Evidence from the OECD suggests that voluntary migrants and refugees alike have relatively poor integration outcomes on multiple dimensions in many European countries. Both high-skill and low-skill immigrants in the United States, Canada, Australia, and New Zealand have similar or lower unemployment rates compared to natives. But the reverse is true in the top European countries.³⁷ Governments across Europe have struggled to find the right formula for making this process work. But the consequences of getting this wrong—or of ignoring the issue and hoping that integration will occur organically—could leave many migrants reliant on states for social benefits. The risk of these fiscal pressures is magnified for refugees.

Immigrants, especially those of non-European origin and refugees, face significant barriers in European labour markets (Exhibit 7).³⁸ Across Western Europe, immigrants generally have higher unemployment rates than the population as a whole, and they experience longer bouts of unemployment before entering the labour market.³⁹ In the EU, the unemployment rate for non-EU citizens ages 15 to 64 (18.0 percent) is twice as high as that of nationals (8.9 percent).⁴⁰ Some labour market barriers appear to be higher for immigrants from particular regions of origin, such as for those from the Middle East and North Africa and from sub-Saharan Africa.⁴¹ Many immigrants find themselves with no alternatives to low-skill jobs, even if they are overqualified.⁴² Almost a quarter of first-generation immigrants across Europe reported feeling overqualified for their current position in a 2014 survey; in Spain, this sentiment was shared by some 55 percent of immigrants.⁴³

Refugees are even more likely than the average of all immigrants to be out of work—and some gaps are particularly stark at the individual country level. In Germany, for example, refugee unemployment was a staggering 52.6 percent, compared with 14.9 percent for all

³⁷ *Indicators of immigrant integration 2015: Settling In*, OECD, July 2015. For further discussion, see *People on the move: Global migration's impact and opportunity*, McKinsey Global Institute, December 2016.

³⁸ EU unemployment rate: Eurostat data on unemployment rate for citizens aged 15 to 64 in EU-28 in 2015. Migrants' unemployment rate: percentage of the Western European labour force, average of 2000, 2005, 2010; *People on the move: Global migration's impact and opportunity*, McKinsey Global Institute, December 2016. German unemployment rate: unemployed relative to total workforce, refugees classified as asylum seekers from Afghanistan, Eritrea, Iran, Iraq, Nigeria, Pakistan, Somalia, Syria; *Auswirkungen Migration auf Arbeitsmarkt* (Impact of migration on the labour market), German Federal Employment Agency, September 2016. Overqualification: Eurostat data on self-declared overqualified employees as percentage of the total employees in the respective countries in 2014 (subgroup first-generation migrants). Time to labour market integration: employment rate of refugees by duration of stay in EU; *Labour market integration of refugees: Strategies and good practices*, European Parliament Policy Department A: Economic and Scientific Policy, March 2016.

³⁹ Eurostat defines an immigrant as a "person who establishes his or her usual residence in the territory of a Member State for a period that is, or is expected to be, of at least 12 months, having previously been usually resident in another Member State or a third country".

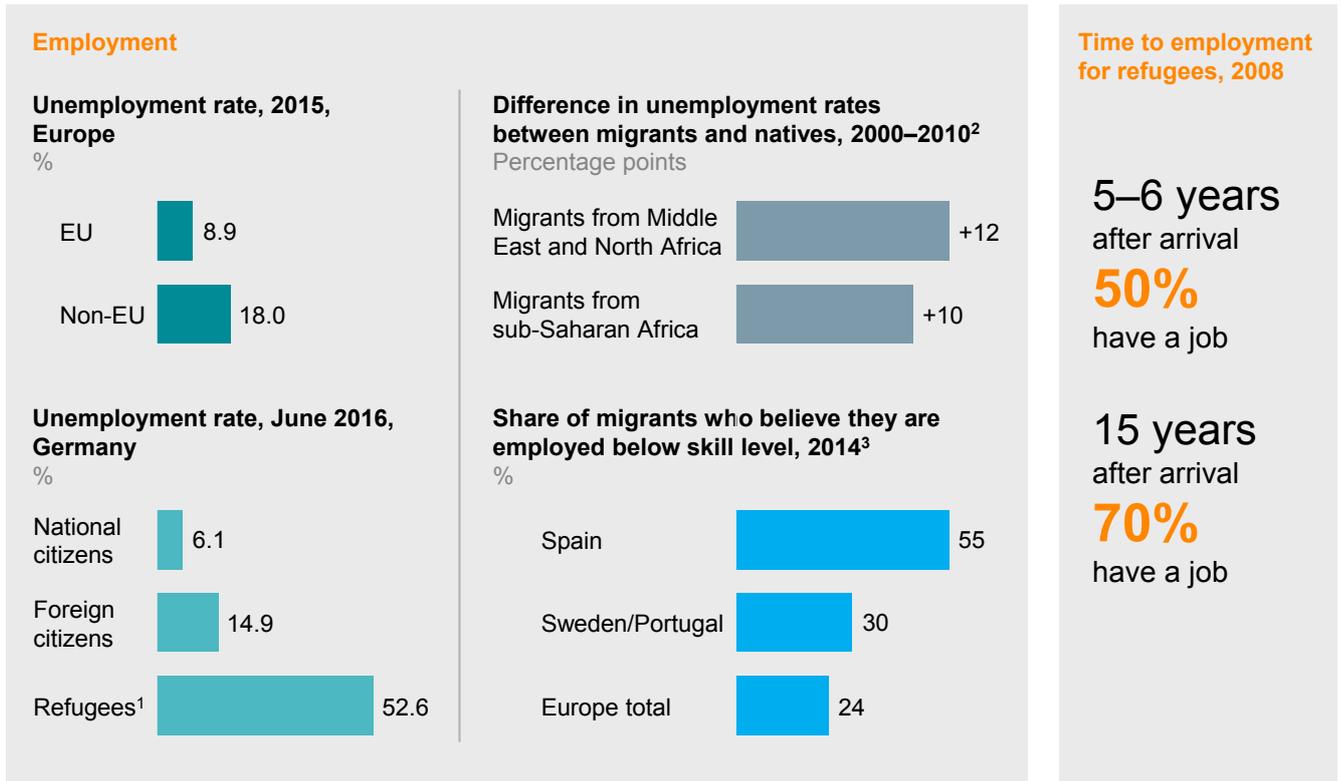
⁴⁰ Eurostat data on unemployment rates, as of September 2016.

⁴¹ *People on the move: Global migration's impact and opportunity*, McKinsey Global Institute, December 2016.

⁴² Ana Damas de Matos and Thomas Liebig, "The qualifications of immigrants and their value in the labour market: A comparison of Europe and the United States", in *Matching economic migration with labour market needs*, OECD, September 2014.

⁴³ Eurostat data on self-declared overqualified employees as percentage of the total employees in 2014, as of June 2016.

Integration outcomes of migrants in Europe tend to be unsatisfactory



1 Asylum seekers from Afghanistan, Eritrea, Iran, Iraq, Nigeria, Pakistan, Somalia, Syria.
 2 Average of 2000, 2005, and 2010.
 3 First-generation migrants reporting in a 2014 survey that they feel overqualified for their current position.

SOURCE: German Federal Employment Agency; European Parliament Policy Department A; Eurostat; McKinsey Global Institute analysis

foreign citizens and 6.1 percent for native-born citizens.⁴⁴ A continent-wide EU labour force survey found that five to six years after refugees' arrival, half were integrated into the labour market. It took 15 years on average to reach a 70 percent employment rate, converging towards the outcomes for voluntary migrants.⁴⁵

Failure to fully integrate first-generation immigrants often has lingering adverse consequences on the second generation. The OECD examined this issue, looking at both the school performance and employment outcomes of children of immigrants as indicators. Since they were raised and educated in the host countries, the second generation should, in theory, perform comparably to native youth. But that does not always happen in practice, particularly in Europe. In 2012, 25 percent of native-born pupils of immigrant parents across the EU still lacked basic reading skills at the age of 15; the comparable share among children of native-born parents was 14 percent. Youth unemployment rates were almost 50 percent higher among second-generation immigrants in the EU than among native-born youth. Furthermore, the OECD study found that these educational and employment gaps were larger in Europe than in other advanced economies.⁴⁶ That could set the stage for second-generation immigrants across Europe to face diminished economic prospects throughout their lives.

⁴⁴ Afghanistan, Eritrea, Iran, Iraq, Nigeria, Pakistan, Somalia, Syria; *Auswirkungen Migration auf Arbeitsmarkt* (Impact of migration on the labour market), German Federal Employment Agency, September 2016.
⁴⁵ *Labour market integration of refugees: Strategies and good practices*, European Parliament Policy Department A: Economic and Scientific Policy, March 2016.
⁴⁶ *Indicators of immigrant integration 2015: Settling in*, OECD, July 2015.

Finally, the failure to integrate migrants quickly presents the danger of creating unforeseen political and social risks. The social and cultural gulf separating immigrant communities and native-born citizens can harden attitudes over time, straining the social fabric. While some native-born citizens welcome growing diversity, others feel a sense of anxiety or resentment that formerly homogenous communities are changing.

The recent asylum seekers have come at a critical time as Europe struggles through years of fiscal austerity and slow growth. Against a backdrop of economic anxiety, opposition to immigration is rising among some segments of EU citizens. MGI research further suggests that a large proportion of middle- and low-income groups in Europe that are experiencing flat or falling incomes are pessimistic about the future and likely to hold particularly negative views about immigrants.⁴⁷

In a recent Pew Research Center poll among a total of 10,000 European citizens, almost 60 percent of respondents across Europe expressed concerns that refugees increase the likelihood of terrorism, and half of the respondents said that refugees imposed an economic burden by taking jobs and social benefits.⁴⁸ These sentiments are beginning to play out in the political arena. A survey by YouGov in the United Kingdom showed that 76 percent of those who voted to leave the EU believe that immigration levels are too high, while only 16 percent of the “remain” voters voiced that concern.⁴⁹ In countries across Europe, right-wing parties are amplifying opposition to high refugee intakes. Against this backdrop, managing integration thoughtfully is even more imperative—and more complex.

On the flip side, swift and successful integration can unlock potential opportunities

Managing the asylum procedure and the ongoing challenge of integration is not only about keeping risks at bay; it can also generate economic benefits.

Consider a hypothetical situation in which the current wave of refugees is able to perfectly match the GDP contribution of native-born workers by 2025. In that scenario, this cohort alone would make an absolute contribution of more than €90 billion to the EU’s annual GDP.⁵⁰ This is obviously an implausible scenario, considering how immigrants have integrated into European labour markets in the past. But it offers a useful reference point.

From there we make adjustments to arrive at a more realistically achievable goal for integrating the current refugee cohort into the labour market and society. This estimate is predicated on the assumption that everyone from the 2015–16 cohort who receives approval to stay elects to do so for the long term and that successful integration measures help to narrow, although not eliminate, the employment gap between these roughly 1.3 million refugees and native-born workers.⁵¹ Improving outcomes for this refugee cohort can deliver a positive overall contribution of some €60 billion to €70 billion annually, boosting Europe’s total GDP by about 0.3 to 0.35 percent.⁵² While this is only a marginal increase, it is nonetheless a positive opportunity. It could also establish a template that enables future arrivals to amplify this contribution.

⁴⁷ *Poorer than their parents? Flat or falling incomes in advanced economies*, McKinsey Global Institute, July 2016.

⁴⁸ Richard Wike, Bruce Stokes, and Katie Simmons, *Europeans fear wave of refugees will mean more terrorism, fewer jobs*, Pew Research Center, June 2016; survey of 10,000 European citizens.

⁴⁹ YouGov/The Times Survey Results on EU referendum, June 2016; survey of approximately 2,000 British citizens.

⁵⁰ Using different assessments of the refugee cohort’s level of education, we estimated possible GDP contributions ranging from €80 billion to €100 billion annually by 2025.

⁵¹ This is a theoretical assumption to estimate what this specific cohort would be able to contribute by 2025.

⁵² See the appendix for detailed description, and see *People on the move: Global migration’s impact and opportunity*, McKinsey Global Institute, December 2016, for more information on the analysis and approach.

We make three key assumptions to arrive at this GDP impact figure:

- We assume that approximately 60 percent of this refugee population of 1.3 million will likely be employed by 2025. We estimate that 85 percent of the asylum seekers from the 2015–16 cohort will be of working age by 2025, then assume that their expected labour participation rate is 5 percentage points above the national participation rate because of the high share of male refugees. Furthermore, we assume that integration measures will empower the refugees to be as successful in finding jobs as other immigrants in the same regions. This would leave their employment rate approximately seven percentage points lower than the employment rate of the native population—narrowing the gap but not fully closing it.⁵³
- We assume a wage gap of 20 to 30 percent vs. native-born workers, consistent with the size of this gap historically among the general population of immigrants from developing countries.⁵⁴
- We assume that successful integration enables refugees to realise the qualification levels they had in their home countries and work in jobs that match these levels by 2025. Because the available data on this cohort’s qualification levels relies on estimates, we use figures from several sources in our calculations of the potential GDP contribution.⁵⁵

In addition to making a positive overall GDP contribution, refugees can offer a demographic boost to aging societies. Immigrant groups from the countries of origins that predominate in the recent refugee cohort have much higher fertility rates than the European average.⁵⁶ Research suggests that over time, the fertility rates of immigrant groups begin to approximate the fertility rates in the destination countries.⁵⁷ Nevertheless, this cohort of refugees will have a positive impact on demographics. Not only is an expanding labour force one of the key drivers of economic growth, but the presence of the refugees can improve old-age dependency ratios in countries across Europe, helping to stabilise pension schemes.

Moreover, refugees can add other economic benefits. Migrants are risk-takers, and that quality can also manifest as an entrepreneurial spirit. In the United Kingdom, for instance, 17.2 percent of non-UK nationals have started their own businesses, compared with only 10.4 percent of UK nationals.⁵⁸ One global study found that first-generation migrants are

⁵³ Database on Immigrants in OECD Countries (DIOC) 2010 data on unemployment rates in European countries, excluding Spain as major outlier due to its severe economic recession; seven percentage point wage gap between unemployment of natives (8.31 percent) and of migrants from the Middle East and North Africa (14.98 percent) as proxy for unemployment of refugee population.

⁵⁴ Shekhar Aiyar, et al., *The refugee surge in Europe: Economic challenges*, IMF staff discussion note number 16/02, January 2016; Sari Pekkala Kerr and William R. Kerr, “Economic impacts of migration”, *Finnish Economic Papers*, volume 24, number 1, spring 2011. Estimates were calculated using sample averages across a large number of studies. Differences control for immigrant observable characteristics in most cases.

⁵⁵ The low-skilled share has been estimated at anywhere from 13 to 69 percent of the total refugee cohort; the medium-skilled share has been estimated at 12 to 49 percent; and the high-skilled share has been estimated at 19 to 38 percent. These sharp differences result from large variations of education levels across refugee groups as well as the difficulty of comparing qualifications across countries. These figures are based on the following sources: *IAB-BAMF-SOEP-Befragung von Geflüchteten: Überblick und erste Ergebnisse* (IAB-BAMF-SOEP survey of refugees: Overview and first results), Institute for Employment Research, November 2016; Susanne Worbs and Eva Bund, *Persons entitled to asylum and recognised refugees in Germany: Qualification structure, labour market participation and future orientations*, BAMF-Kurzanalyse, January 2016; and *Asylberechtigte auf Jobsuche*, Austrian Public Employment Service, January 2016.

⁵⁶ World Population Prospects, Total fertility estimates 2010–15, UN Population Division, October 2016. The fertility rate in Syria is 3.0 children per woman; it is 4.4 in Eritrea, 4.6 in Iraq, and 5.1 in Afghanistan. When immigrants arrive from these countries in Europe, however, their fertility rates decrease to 1.58 children per woman on average.

⁵⁷ Tomáš Sobotka, “The rising importance of migrants for childbearing in Europe”, *Demographic Research*, volume 19, number 9, August 2008.

⁵⁸ “Migrant entrepreneurship in OECD countries”, in *2010 International Migration Outlook: Migration key to long-term economic growth*, OECD, 2010; *Migrant entrepreneurs: Building our businesses, creating our jobs*, Centre for Entrepreneurs and DueDil, March 2014.

more active in business startups than non-migrants. It also showed that startups founded by migrants are on average more growth-oriented than those of non-migrants in countries of all economic development levels.⁵⁹ In countries around the world, immigrants contribute disproportionately to new business formation, innovation, and job creation.

In short, refugees in the current cohort are a young population with real potential—not only to be self-sufficient but also to contribute to their destination economies.

DEVELOPING STRONG INTEGRATION MEASURES NOW COULD PREPARE EUROPE FOR THE POSSIBILITY OF HIGH LEVELS OF MIGRATION IN THE YEARS AHEAD

The inflow of asylum seekers in 2015–16 has tested Europe's capacity to handle a humanitarian emergency. It has also raised the question of what to expect in the future. Migration to Europe is the result of a complex interplay of factors and therefore almost impossible to predict. We do not aim to provide a forecast for what migration (or even more specifically flows of refugees and asylum seekers) will be like in the years ahead. But looking at some of the underlying factors that triggered and enabled the recent surge as well as other global trends provides an indication that similar movements could be possible in the future. This suggests that Europe should view its current integration challenge as an opportunity to be better prepared for these eventualities.

The underlying factors that fuelled the recent migration surge are still present

The size and nature of the wave of asylum seekers that hit Europe in 2015–16 was shaped by five key factors (Exhibit 8).⁶⁰

Exhibit 8

Five key factors triggered or enabled the large-scale movements of 2015–16

	2015–16	Today	
Situations in countries of origin <ul style="list-style-type: none"> Conflicts (intra-/inter-state) Persecution Poor socioeconomic conditions 	✓	✓	<ul style="list-style-type: none"> Five factors were conducive for an unprecedented large-scale movement of asylum seekers to Europe In contrast to 2015–16, feasibility of reaching Europe decreased, causing a drop in incoming asylum seekers throughout 2016 Future developments are unclear, but similar patterns and levels of migration could repeat
Relative attractiveness of Europe <ul style="list-style-type: none"> Compared to home and neighbouring countries Factors: safety, socioeconomic prospects 	✓	✓	
Access to information (especially via social media) <ul style="list-style-type: none"> Attractive living situation in Europe Best and worst travel routes 	✓	✓	
Momentum of “beaten pathways” <ul style="list-style-type: none"> Role modelling of family, friends Communities of countrymen in destination countries Institutionalisation of smuggling and social networks in destination states 	✓	✓	
Feasibility of reaching Europe <ul style="list-style-type: none"> International agreements, e.g., with origin countries, transit states Inner-EU policies (e.g., border regulations) Functionality of travel corridors 	✓	✗	

SOURCE: McKinsey Global Institute analysis

⁵⁹ Siri Roland Xavier et al., *Global entrepreneurship monitor: 2012 global report*, Babson College, Universidad del Desarrollo, Universiti Tun Abdul Razak, and London Business School, 2012.

⁶⁰ Nicholas Van Hear, Oliver Bakewell, and Katy Long, *Drivers of migration*, Migrating Out of Poverty Consortium, University of Sussex, March 2012; *Risk analysis for 2016*, Frontex staff working document, April 2016; Clare Cummings et al., *Why people move: Understanding the drivers and trends of migration to Europe*, Overseas Development Institute, December 2015; *Migration in response to environmental change*, Science for Environment Policy for the European Commission thematic issue number 51, September 2015.

1. The situations in countries of origin

Refugee flows are triggered in the countries of origin by events that drive people from their homes and cause them to flee to other countries for safety. These factors can vary, but the most common include conflict or persecution by extremist governments. In 2015–16, the security situation deteriorated badly in several key countries of origin. In Syria and Iraq, for instance, the advance of the Islamic State drove thousands of people from their homes. Surveys conducted by the UNHCR among Syrian refugees arriving in Greece indicate that nearly all of them left their homes because of war and violence.⁶¹ In Afghanistan, the Taliban regained strength after the departure of the US-led International Security Assistance Force at the end of 2014. Eritrea’s ruling regime pressed citizens into indefinite military service, and widespread abductions were reported.⁶² As of this writing, these regions show no signs of stabilising.

2. Relative attractiveness of Europe compared with neighbouring and transit countries

As discussed, asylum seekers who leave their homeland tend to seek immediate protection in nearby countries. The multiple conflicts raging in the Middle East have sent millions into developing countries such as Jordan, Lebanon, and Turkey, where they often find harsh living conditions. Some are in overcrowded refugee camps with few opportunities to earn a livelihood.⁶³ This untenable situation is a common story in transit countries—and in this case, it led many asylum seekers to move on to destination countries in Europe, where they believed they would find better living conditions and opportunities. The relative prosperity of Europe compared with countries bordering conflict zones and transit countries was and will likely continue to be a decisive factor that draws people seeking a safe haven, economic opportunity, and a chance to put down roots.

3. Access to information

The Internet, social media, and, above all, mobile connectivity gave displaced populations their initial view of Europe and eventually their lifeline to get there.⁶⁴ A new generation of digital natives has an increasing awareness of the world beyond their own borders. Social media documenting people’s journeys and arrivals in Europe quickly spread the word among displaced populations that Europe is within reach and that living conditions there are much better. This information not only encouraged refugees to undertake the long journey to Europe but it also offered a road map for it. Mobile phones became digital lifelines with up-to-date information on the best routes and accessible corridors. A UNHCR survey found that about 20 percent of Syrian asylum seekers named social media channels and mobile apps as direct sources for information on travel routes. About 40 percent named family members in the destination or people ahead in the journey as information sources, which implies the ability to connect via Internet, text, or phone.⁶⁵ As digital technologies reach more hands in the future, this effect is only likely to grow.

4. The momentum of “beaten pathways”

As conflicts stretch longer and more people flee a country, a self-reinforcing mechanism often sets in. People who see friends, family members, and others from their communities

⁶¹ *Profiling of Syrian arrivals on Greek Islands in February/March*, UNHCR, February/March 2016. Surveys conducted among 736 and 524 Syrians, respectively, in the two months.

⁶² *Report of the Commission of Inquiry on Human Rights in Eritrea*, Human Rights Council, UN General Assembly, June 2015.

⁶³ *Growing restrictions, tough conditions: The plight of those fleeing Syria to Jordan*, Amnesty International, October 2013.

⁶⁴ Clare Cummings et al., *Why people move: Understanding the drivers and trends of migration to Europe*, Overseas Development Institute, December 2015.

⁶⁵ *Profiling of Syrian arrivals on Greek Islands in February/March*, UNHCR, February/March 2016. Surveys conducted among 736 and 524 Syrians, respectively, in the two months.

depart may begin to see leaving their own homes as an increasingly good idea. At the same time, communities of nationals develop in core destination countries, establishing support networks there.⁶⁶ People all over the world saw migrants reach safety in Europe, possibly spurring many more to set out for Europe. Moreover, smuggling networks grow rapidly as they seek to profit from the increasing numbers of people willing to pay large sums for journeys that were otherwise close to impossible.⁶⁷ And in turn, these journeys become feasible for a greater number of people (see point 5). This self-reinforcing migration pattern is likely to have been a relevant factor in 2015–16, and this effect could equally apply to future migration waves.

5. Feasibility of reaching Europe

Several factors that coincided in 2015 make it more feasible for migrants to reach Europe. The Western Balkan route formally opened with the political decision to temporarily open Macedonia's borders in June 2015.⁶⁸ This made it easier to reach destinations such as Germany and Sweden. Moreover, the temporary lifting of existing border and travel restrictions for asylum seekers made it easier to travel to chosen destination countries in Europe. As the numbers of such immigrants increased, travel corridors became more organised. Railways, bus companies, and even human traffickers provided transportation, while humanitarian organisations offered food and shelter.

The feasibility of reaching Europe via the Balkan route changed in the first quarter of 2016, and as a result, the number of arrivals began to decrease. The formal closure of borders along the Balkan route after the Vienna conference of February 2016 made travelling in this corridor impossible for the large majority of migrants. In March 2016, the EU and Turkey reached an agreement aimed at returning irregular migrants crossing the Aegean Sea to Turkey and in turn resettling Syrian refugees from Turkey directly in European countries. Together these developments led to a decline in monthly arrival numbers on Greek shores from 200,000 in October 2015 to approximately 3,000 a month in September and October 2016. Nevertheless, this is up from 1,500 asylum seekers per month in May and June of this year.⁶⁹

The decrease in the number of arrivals, moreover, does not apply to the Central Mediterranean route. Asylum seekers from North Africa cross the Mediterranean Sea and enter Europe via Italy, mostly travelling onward to their final destination via Austria. To prevent the opening of a large migration corridor similar to the Balkan route, Austria expressed its willingness to close its borders to Italy.⁷⁰ Besides increasing the number of border patrols, no substantial action has been taken yet; as of this writing, it is still possible to reach Europe along this route. As a result, between January and September 2016, almost as many people arrived on Italian shores as in the same time span in 2015, according to UNHCR.⁷¹

General megatrends further support high migration scenarios for Europe

In addition to forces underlying the recent migration surge, general megatrends point to further waves of both voluntary and forced migration. For example, an overall demographic bulge in developing nations will significantly increase the competition for jobs, encouraging many to seek better opportunities in advanced economies. In the long run, climate change and environmental disasters could uproot large populations. Scientists warn that regions with multiple coastal megacities, such as Southeast Asia, are vulnerable to an increased risk of catastrophic flooding.⁷² Europe, which probably will not be affected to a similar degree by

⁶⁶ Eric Neumayer, "Bogus refugees? The determinants of asylum migration to Western Europe", *International Studies Quarterly*, volume 49, number 3, September 2005.

⁶⁷ *Migrant smuggling networks*, Joint Interpol-Europol Report, May 2016.

⁶⁸ "Europe migrants: Tracing perilous Balkan route to Germany", BBC News, August 26, 2015.

⁶⁹ Refugees/migrants emergency response—Mediterranean, 6, UNHCR, <http://data.unhcr.org/mediterranean>.

⁷⁰ Bethany Bell, "Migration fears spark Italy-Austria border row at Brenner", BBC News, May 16, 2016.

⁷¹ About 130,000 in both cases, based on UNHCR data.

⁷² *Turn down the heat: Climate extremes, regional impacts, and the case for resilience*, World Bank, June 2013.

climate change, could then be an attractive destination for climate refugees despite the very long distances to travel.

These forces are obviously difficult to predict with certainty but appear likely to remain present in the future. The scenario of another large surge of migration to Europe cannot be ruled out. Policy makers therefore need to strategically address the recent inflow and prepare for different scenarios in the future.



The success or failure of integration efforts can reverberate for many years. In addition to shaping the quality of life for the refugees who have already arrived, they may influence whether second-generation immigrants become fully participating citizens or remain stuck in a poverty trap. Given that migration is part of our more globalised world and many of the factors that can cause sudden spikes in the number of asylum seekers will also persist, Europe would be well served to create a template for successful integration that can work both today and in the future. Chapter 3 looks at multiple promising initiatives and strategies for turning this goal into a practical action plan.



3. IMPROVING ASYLUM PROCEDURES AND INTEGRATION MANAGEMENT

The EU continues to face the multilayered logistical challenges associated with the sudden arrival of more than two million asylum seekers—and, as discussed in Chapter 2, the possibility of future large-scale migration waves cannot be discounted. Each country has to ensure that a solid and responsive system is in place to handle all stages of the process.

There are two parts to the challenge. The initial focus must be on asylum procedures, including the processing of asylum requests and an effective repatriation mechanism for those whose applications are denied. In addition to making sure that national and local systems run efficiently, greater cooperation is needed among countries and across the EU more broadly to ensure that asylum applications are processed consistently across member states; this could help to avoid a repeat of the stresses experienced at the height of the 2015–16 inflows. The EU will have to play an active role in supporting the alignment of asylum procedures across the continent. The second stage involves improving the odds of integration for those who have the right to stay, which applies to about 1.3 million of the 2.3 million arrivals given current trends of acceptance rates.

Establishing an efficient asylum application process and following through with all of the necessary integration support requires significant investment. While the exact requirements will depend on the specific plans and programs of each country, there are funding commitments being made across Europe. The EU itself has increased the budget for its asylum, migration, and integration fund by €9.2 billion to €12.3 billion for the 2014–2020 period to address the refugee influx in 2015–16.⁷³ Sweden expects spend €7.2 billion on migration and integration in 2016.⁷⁴ Germany has budgeted some €12.7 billion for admission and integration of refugees and asylum seekers in 2017.⁷⁵ Since these outlays are already a given, the task now is ensuring that the funds are put to their best use.

This chapter presents a selection of promising interventions from across the continent, focusing first on asylum procedures and then on four key areas that will determine how refugees will fit into their host countries: labour market and economic integration, educational integration, housing and health integration, and sociocultural and language integration (Exhibit 9).⁷⁶ The private sector also has a critical role to play in this, since integrating new arrivals into the labour market comes down to the hiring decisions of individual companies.

Many countries in Europe have already successfully taken on this challenge. Adopting proven approaches presented later in this chapter and sharing these in Europe, learning from one another, will further support the continent's ability to cope with this global phenomenon. We hope that selecting and structuring these ideas will shed light on what works and what could be scaled up more broadly.

⁷³ Cemal Karakas, *Economic challenges and prospects of the refugee influx*, European Parliament Research Service briefing, December 2015.

⁷⁴ *Årsredovisning för staten 2015* (The state's annual report 2015), Government of Sweden, April 2016.

⁷⁵ *Kabinettdorlage zum Regierungsentwurf zum Bundeshaushalt 2017 und zum Finanzplan bis 2020* (Cabinet draft for the government outline for the federal budget 2017 and financial plan until 2020), German Federal Ministry of Finance, July 2016.

⁷⁶ This framework is adapted from MGI's report on global migration, *People on the move: Global migration's impact and opportunity*, to account for the specifics of the European situation.

After asylum requests are processed, four primary areas of integration need to be addressed in tandem

Asylum procedures



Integration



SOURCE: McKinsey Global Institute analysis

SOME OVERARCHING PRINCIPLES ESTABLISH THE PRECONDITIONS FOR SUCCESS

Today many countries continue to struggle with managing the asylum procedure and integrating those who are granted permission to stay into society. But good practices and key principles have emerged over time and are being more widely applied. Following these general principles can create the preconditions for success.

States need agile processes and structures that can respond quickly during a spontaneous and abrupt spike in arrivals. In times of need, it is critical to be flexible and to add personnel as necessary to scale up responses quickly. Furthermore, public authorities need to streamline administrative structures where possible, eliminating unnecessary interfaces. This prevents bureaucratic inefficiencies that can result when a wide range of agencies with different specialisations are involved on multiple administrative levels.

While policies and frameworks are created at the national level, integration ultimately also takes place at the local level. Local governments and civic organisations need to be empowered to design and implement initiatives that meet the needs of their communities. Moreover, no one actor can ensure successful outcomes by working in isolation; partnerships and coalitions are more effective. Integration is not just a matter for governments to handle. It requires support and involvement from the private sector, civil society, and international and humanitarian organisations. Whenever possible, it is best to coordinate this kind of engagement under one umbrella to take advantage of synergies and ensure more effective joint action.

Integrated data management and effective IT systems are the backbone of transparent, efficient processes in both asylum and integration management. All relevant stakeholders at the national and communal levels should be able to access the data they need to do their part. IT systems should be designed to track each person's status at every point in the asylum and integration process. This kind of structure will enable governments to identify problems with individuals lagging behind in the process and react accordingly. Having detailed records on all asylum seekers will also improve security standards.

In addition to these preconditions on the national level, the EU plays an important role in effectively shaping asylum and integration across the continent (see Box 3, "Europe needs an overarching strategic approach to handle large numbers of asylum seekers"). The current systems and policies do not fully capitalise on the advantages a common strategy for asylum and migration management could entail. Improving communication and cooperation across countries could further strengthen Europe's ability to cope with surges of asylum seekers.



Box 3. Europe needs an overarching strategic approach to handle large numbers of asylum seekers

National strategies for asylum procedures and integration are not enough to deal with the magnitude of the challenge Europe is facing today—and could face again in the future. We live in a globalised and interconnected world, and the EU is built on the principle of free movement across borders. A wave of migration that spans the continent demands a more unified approach and greater cooperation among member states.

The current surge of immigration demonstrated the shortcomings of the EU in the face of such a challenge. Instead of working together on a coordinated response, each country took a different path on whether and how to process asylum seekers. While some countries decided to welcome those seeking refuge, others closed their borders. The distribution of asylum seekers was highly imbalanced: Germany took in 48 percent of asylum seekers; between 5 and 9 percent were hosted by Hungary, Sweden, Italy, Austria, and France.¹ All other EU countries only took in 3 percent or less.² This is far from the balanced outcome across the 28 EU member states envisioned in the European Commission's relocation scheme in its European Agenda on Migration. Its calculations take into account population size, as well as GDP, unemployment rate, and previous asylum applications. The scheme suggests distributing the majority of asylum seekers among Germany, France, Italy, and

Spain, allocating 9.1 to 18.4 percent per country. All other countries would be responsible for taking in 6 percent or less of asylum seekers.³

The EU principle of freedom of movement requires a coordinated asylum system

Within the EU, people are generally free to travel. However, the Dublin system places responsibility for processing asylum requests on the first country of entry. The system has historically put a disproportionate burden on countries with external borders, such as Italy, Greece, and Spain. When these arrival points became overwhelmed in 2015, migrants began travelling onward in large numbers, causing the system to break down. The events of 2015–16 thus call for reconsideration of this system. Because of the lack of burden sharing, it is not sustainable in times of crisis.

In addition, the effectiveness and fairness of EU asylum policy is compromised by insufficiently harmonised procedures across member states. Even though the Common European Asylum System provides standards for processing and evaluating asylum applications and specifies minimum living standards, countries have discretion over enforcement, which produces inconsistency. In 2015–16, positive decision rates varied strongly within the EU. For Iraqis, for instance, the rate varied from 95 percent in France to only 18 percent in the United Kingdom.⁴ As long as such differences between countries exist, asylum seekers are compelled to move to countries where they

¹ In the period from January 2015 to August 2016.

² Eurostat data on monthly first-time asylum applicants between January 2015 and August 2016, as of October 2016. To correct for the backlog in German asylum proceedings, German numbers were adapted for 2015: EASY registration data minus 18 percent for double registrations and onward travel.

³ "A European agenda on migration", communication from the European Commission to the European Parliament, the European Council, the European Economic and Social Committee, and the Committee of the Regions, May 2015.

⁴ Eurostat data on monthly first-time asylum applicants between January 2015 and August 2016, as of October 2016.

face the best odds. To be more sustainable, the EU needs a strengthened Common European Asylum System with binding, harmonised rules for asylum procedures producing fair and homogeneous outcomes.

The variety of stakeholders involved hinders effective decision making

The number of stakeholders involved in Europe's immigration arena impedes the decision-making process and heightens the difficulty of agreeing on a joint strategy. Within the EU, in addition to the mandate of the European Commission and the European Council to set asylum policy, many other players are involved, including the European Asylum Support Office, the European Border and Coast Guard Agency, and the European External Action Service. Additionally, member states have a strong say in all decisions. In general, it has been difficult to align the actions of these numerous

entities. Reaching agreement on a joint, long-term path on asylum policies will be a difficult journey for the EU, considering the complexity of the topic and the broad range of opinions and aims of various actors. Nevertheless, it is essential for Europe to forge a common approach, define a set of coherent instruments to make it a reality, and thereby create a joint strategy that binds individual countries more firmly.

Another urgent moral question that remains open is the responsibility of the EU and its member states to secure safe passage when it becomes apparent that large numbers of people are facing peril to reach Europe. There are no easy solutions for such a complex issue, but it should nevertheless be on the agenda of the European political leadership to discuss.

FROM PRINCIPLE TO PRACTICE: LEVERS TO IMPROVE EVERY ASPECT OF INTEGRATION

Building on the foundation of the general principles outlined in the previous section, this chapter provides specific levers to streamline the asylum application process and smooth integration for those who are granted permission to stay. They entail short-term measures to ensure an early integration process, such as providing low-key employment opportunities to enable first steps in the labour market, as well as measures to support the integration of refugees in the long run, such as offering pragmatic possibilities to complete or build formal and informal qualifications. These levers are interdependent. Language acquisition, for instance, goes hand in hand with education, and both shape employment prospects. This underscores the importance of taking a holistic approach that addresses all aspects of integration.

Some of these levers require structural or regulatory changes. States may, for instance, need to craft new rules or directives to improve the processing of asylum applications. In contrast, other levers, such as promoting mutual social interaction between natives and refugees, are hands-on and highly local; they cannot or should not be created through prescriptive regulations. Exhibit 10 categorises and summarises all of these levers from end to end, and the sections that follow examine each category of interventions in turn.

The levers suggested here are being implemented in countries across Europe. They offer no guarantees of success or a fully positive outcome. But they do offer ideas and a tangible starting point for meeting the challenges.

Success levers in asylum procedures and four integration areas can lead to better outcomes for refugees and their host communities alike

		Success levers	§ Structural/regulatory ✕ Operational
Asylum procedures			<ul style="list-style-type: none"> § Quick, fair, and accurate processing of asylum requests with a predictable structure and timeline ✕ Early integration measures during the asylum process for those likely to receive a positive decision § Mechanism for managing repatriation for asylum seekers who received a negative decision quickly, fairly, and humanely
Integration areas	Labour market and economic integration		<ul style="list-style-type: none"> ✕ Effective provision of information about job and professional training opportunities ✕ Entry-level opportunities as first steps in the labour market § Fast recognition of formal and informal qualifications and further training § Strong incentives and sanctions to participate in the workforce ✕ Targeted support structures for female employment
	Educational integration		<ul style="list-style-type: none"> § Appropriate, extensive, and obligatory schooling for all refugee children and young adults § Adequate teacher training ✕ Effective prevention of segregation in all education environments ✕ Strong support and information for children and parents through education guides § Provide loan, grant, and scholarship schemes for higher education
	Housing and health integration		<ul style="list-style-type: none"> § Sufficient provision of affordable housing options § Thoughtful location choices § Targeted preparation of the health-care system for needs of refugees ✕ Reduction of administrative and linguistic barriers in the health-care system
	Sociocultural and language integration		<ul style="list-style-type: none"> § Early and obligatory acquisition of the host country language ✕ Understanding of and respect for the values and norms of society (e.g., the role of women) ✕ Mutual social interaction and integration between refugees and natives

NOTE: Areas and levers are cross-divisional and affect each other.

SOURCE: McKinsey Global Institute analysis

ASYLUM PROCEDURES CAN BE STREAMLINED FROM END TO END WITH EFFICIENT INTERFACES

Asylum procedures should quickly determine who needs international protection and should be granted the right to stay. A natural outgrowth of this is the need for a rigorous, effective, and humane repatriation process for those whose applications are denied. This will free resources for those who stay and ensure that the asylum system remains credible, sustainable, and protected from misuse.

The procedure encompasses all steps from first contact to the completion of an asylum request (and repatriation if necessary). It should be fully integrated, bringing all relevant authorities under one roof to ensure efficiency. The key levers are as follows:

Success levers in asylum procedures

 Structural/regulatory  Operational

Success levers

Asylum procedures		
		Quick, fair, and accurate processing of asylum requests with a predictable structure and timeline
		Early integration measures during the asylum process for those likely to receive a positive decision
		Mechanism for managing repatriation for asylum seekers who received a negative decision quickly, fairly, and humanely

- Quick, fair, and accurate processing of asylum requests:** Fast asylum processing saves government resources and reduces the uncertainty for entrants and host countries alike. Simply put, the sooner refugees know that they will be allowed to stay, the sooner they can integrate more permanently. Similarly, those not eligible for asylum or subsidiary protection need to know as soon as possible to make plans to return to their home countries. In some European countries, however, this process often takes longer than the six-month maximum suggested by the EU.⁷⁷ Streamlining the existing asylum systems involves an initial financial outlay, but these investments make sense in light of the annual savings they can yield (see good practice examples later in this chapter).
- Early integration measures:** Integration can begin in parallel with the asylum request procedure for applicants with good odds of staying based on their countries of origin. Research has found that extended inactivity slows the integration process.⁷⁸ The first important steps, such as language lessons and labour market integration (see below), should not be postponed until lengthy asylum procedures are concluded.
- Mechanisms for managing repatriation quickly, fairly, and humanely:** Governments need effective return mechanisms for those whose asylum applications are denied. All forms of repatriation need to be covered: voluntary returns (often with financial assistance), forced repatriation, transfers (when the Dublin Regulation takes effect), and expulsion because of

⁷⁷ Directive 2013/32/EU on common procedures for granting and withdrawing international protection, Article 31(3), European Parliament and Council, 26 June 2013; *The length of asylum procedures in Europe*, European Council on Refugees and Exile, October 2016.

⁷⁸ *Erfolgreiche Integration: Flüchtlinge und sonstige Schutzbedürftige* (Successful integration: Refugees and other vulnerable persons), OECD, January 2016; *Labour market integration of refugees: Strategies and good practices*, European Parliament Policy Department A, March 2016.

criminal offences.⁷⁹ Consistent standards and enforcement are matters of fairness. They ultimately prevent misuse of the asylum system and help governments direct more resources to refugees who are granted the right to stay.

HOW TO DO IT:

Asylum procedures under one roof

Asylum procedures have become a major logistical challenge for Europe. To speed up decision making, several governments have moved to streamline operations.⁸⁰ The most effective approach is to establish reception centres with all relevant public authorities under one roof, where claims can be processed end-to-end in only a few days. When an asylum seeker arrives at a reception centre, authorities immediately ensure full transparency by collecting all relevant information (biometrics, demographic and biographical details, security screening, and a first perspective on qualifications and skills) and entering the data into a central IT system. The file is accessible to all agencies and is continuously updated throughout the asylum and integration process. If an asylum seeker has lost the documents, a dedicated interview to investigate the individual's identity becomes an additional part of the regular asylum interview. At any point, authorities can check the status of someone's asylum request, the reasons for any delay, and whether mandatory integration measures have been completed.

Standardised decision-making processes speed administration while ensuring fairness. Clustering processes by countries of origin can keep the process lean, efficient, and more understandable for asylum seekers. Each cluster needs clear guidelines on how to conduct interviews and make decisions. A dedicated research team with country specialists can help officials track down missing information. This kind of approach can handle many asylum requests within a week.

It is important for all asylum seekers to take the first steps towards integration within their first days of arrival. This can involve entry-level opportunities to begin learning the local language (for instance, through apps or booklets) and an introduction to the basic norms and values of the host society (for more on this, see the section on sociocultural and language integration, later in this chapter). Asylum seekers likely to receive a positive decision should begin more intensive integration efforts while still in the reception centre, including more formal language instruction and integration classes. They should also meet with representatives of the national labour agency to learn about the local job market, provide more information on their qualifications and skills, and determine a job search plan.

Asylum seekers whose requests are denied have to return to their countries of origin. Repatriation must be a clear and efficient process, ideally linked directly to the end of the asylum procedure in the reception centre. Three elements can make this more successful: expanding voluntary return support, carrying out returns consequently and quickly, and making the so-called suspension of deportation status less attractive.⁸¹ Voluntary return

⁷⁹ As outlined in Chapter 1, the Dublin Regulation determines the responsible EU member state to determine an asylum seeker's claim for international protection; if a country finds that because of the Dublin Regulation a third country is responsible for this decision, it transfers the asylum seeker to that country.

⁸⁰ In countries such as Finland, Germany, Ireland, and Switzerland: "The asylum application process is being streamlined", press release, Finnish Immigration Service and the National Police Board, October 30, 2015; *Integrated refugee management—A new system for Germany*, German Federal Office for Migration and Refugees, June 2016; *International Protection Act 2015*, Irish Parliament, December 2015; *Asylgesetz Änderung vom 25 September 2015* (Change in the asylum law of September 25, 2015), Swiss Federal Council, September 2015.

⁸¹ "Suspended deportation" refers to asylum seekers whose asylum requests have been denied but for whom a deportation to their country of origin has been suspended temporarily

support is often more successful than forced repatriation, and it can provide migrants with financial and administrative help to rebuild their lives in their countries of origin. Information on this option should be provided early on to encourage uptake. If repatriation needs to be enforced, the ensuing steps must be fully transparent and managed rigorously and thoughtfully across the entire process. Sanctions against individuals who ignore expulsion orders could include cuts in social benefits or placement in dedicated zones for repatriation. Finally, in many countries, “suspended deportation” status puts arrivals into a legal vacuum that benefits neither the individuals nor the state. The guidelines and timelines for resolving this status should be clearly defined, and frameworks should be designed to discourage prolonged stays.

Good practice:



As the influx of migrants grew in 2015–16, the **German government** rolled out the concept of integrated refugee management.⁸² This comprises the key concepts outlined above, including an end-to-end asylum procedure with all stakeholders present in one location and a newly integrated core data system that can be accessed by all stakeholders along the process. The app “Arriving” (“Ankommen”), created by the Federal Office for Migration and Refugees in cooperation with the Federal Employment Agency and the Goethe Institute, offers orientation, information about the job market, and a chance for those in reception centre waiting rooms to begin learning German.⁸³ This approach has shown good results. Administrative processes have become more transparent to asylum seekers, and the average wait time for an asylum decision has been cut from five months to three; in specific cases, decisions can be made within 48 hours. These steps to accelerate the asylum procedure can help the German government avoid roughly €5 billion to €6 billion in future expenditures.⁸⁴

Switzerland has tested a similar system that will now be rolled out across the country. A 2014 pilot programme in Zurich involved processing asylum claims in one centre, with all necessary public authorities present and independent legal counsel available for asylum seekers. This new system expedited the process by approximately 40 percent and lowered appeal rates from 21 percent to 15 percent. Once it is introduced across all cantons, it is expected to produce yearly net savings of some €80 million. The initial investment to restructure the process is being recouped through annual savings in roughly 8.5 years.⁸⁵

INTEGRATION NEEDS TO BE APPROACHED HOLISTICALLY WITH A COMBINATION OF IMMEDIATE ACTION AND LONGER-TERM SUPPORT

A completed asylum procedure clarifies who will be granted international protection and can therefore remain in Europe. If current trends continue, we expect that roughly 1.3 million of the 2.3 million arrivals will be granted permission to stay and remain in Europe for the longer term. They need immediate help to find their way in an unfamiliar society, but they also need support beyond the initial settling-in period. It is therefore important to balance short-term

⁸² *Integrated refugee management—A new system for Germany*, German Federal Office for Migration and Refugees, June 2016.

⁸³ www.ankommenapp.de.

⁸⁴ Our estimate is based on the following assumptions. The accelerated decision process reduces the cost of asylum seekers receiving negative decisions, because benefits have to be paid for a shorter period of time before repatriation (for a monthly savings of €830 per asylum seeker). It also produces savings for those whose applications are approved, since refugees receive lower benefits than asylum seekers waiting for their decision. This reduction amounts to a monthly average of €110 per asylum seeker. The analysis accounts for the additional costs incurred by employing more personnel.

⁸⁵ *Evaluation Testbetrieb des neuen Asylverfahrens: Zusammenfassung der Evaluationsergebnisse* (Evaluation of test operation: Summary of evaluation results), Swiss State Secretariat for Migration, November 2015.

measures, such as providing early entry-level employment opportunities, with the long-term goal of achieving well-being at a par with the local population.

It is difficult to quantify targets within each of the four integration areas discussed below, but it is possible to articulate general aspirations. The objectives and approach in integrating this recent cohort of migrants is in its nature not fundamentally different from integrating other migrants as long as individual prerequisites and possible particular challenges, such as language, cultural distance, and particular personal background (for example, war traumas) are respected. We regard labour market integration to be effective when a cohort of migrants holds jobs comparable with their previous skill levels within ten years as well as an employment rate approaching that of the national population.⁸⁶ Successful educational integration would mean that second-generation children achieve school performance approximately on a par with the children of native-born parents. Housing and health integration involves ensuring equal access to quality housing options and health-care services. Sociocultural and language integration aims to eliminate language barriers that could hinder a cohort of migrants from actively participating in work and social life and to build communities built on understanding and respect for people of different backgrounds.

The levers described in this chapter are mutually reinforcing, and they need to be applied simultaneously in order to take a holistic approach. However, they can be tailored to individual needs. A highly skilled engineer or doctor, for example, may need language training geared to that profession in addition to general language acquisition. Some may need counselling to cope with war trauma.

The measures described here should not come at the expense of losing focus on integrating immigrants who arrived in Europe before 2015, nor should they diminish or exceed the support provided to other vulnerable members of society.

Labour market and economic integration: Minimising time to labour market in given individual circumstances

Finding employment is the linchpin of successful integration. A job entails regular daily interaction in society and provides individuals with structure. Jobs with fair wages enable refugees to become self-sufficient and contribute to the economic output of their host country. Since some 70 percent of the 2015–16 arrivals are of working age, labour market integration will be critical for them—and those who are children today will need the right preparation to become productive members of society in the future.

Quickly connecting someone with work has always been one of the main goals in the integration process, although each individual's road map may differ. Skill levels and age are two good criteria for designing different approaches; the measures that are most effective for older, low-skill refugees may not be right for a younger, highly educated refugee. Minimising the time spent unemployed is key. Refugees should start working as soon as possible, even if other obligations (such as language courses) allow for only part-time work. In the long run, the aim should be for them to attain at least the same professional level they had in their home countries. Governments, particularly national labour agencies, should support them on this path and create the prerequisites.

⁸⁶ This, of course, depends on the existence of similar roles and professions in the destination country and relatively aligned requirements of qualifications for those jobs, which complicates the integration process.

		Success levers	
Integration areas	Labour market and economic integration		 Effective provision of information about job and professional training opportunities
			 Entry-level opportunities as first steps in the labour market
			 Fast recognition of formal and informal qualifications and further training
			 Strong incentives and sanctions to participate in the workforce
			 Targeted support structures for female employment

- **Effective provision of information about jobs and professional training opportunities:** Many refugees do not know how European labour markets work and how they may fit in. They may be at a loss for how to go about job hunting and may be unfamiliar with rules and regulations. They will therefore need active and often personalised counselling to map out personal development paths and learn about suitable positions or training opportunities. Peer group counselling, meanwhile, can cover topics such as how to navigate the labour market more generally, how to prepare effective job applications, and how to present oneself in job interviews. Dedicated websites or apps can help.
- **Entry-level opportunities as first steps into the labour market:** Getting firsthand local work experience quickly can substantially improve a refugee's odds of being hired by future employers. But getting onto the first rung of the employment ladder is one of the biggest hurdles refugees face. Governments may need to be involved in actively creating and funding entry-level opportunities. It is important to match this adequately to individuals in order to reach the long-term goal of helping refugees obtain jobs commensurate with their skill levels in their home countries.

HOW TO DO IT:

Support through working opportunities and subsidised jobs

Governments can support first steps in the labour market in several ways: First, they can create meaningful entry-level opportunities for asylum seekers upon arrival. This could include helping out in reception centres in roles such as serving food or translating. Second, governments can subsidise employers who provide jobs, training, or internships, perhaps reimbursing wages and training costs. This has proven particularly successful in helping refugees gain a foothold in the labour market. This could include, for example, part-time internships collaborating with employers and language schools, which would boost language acquisition and labour market integration simultaneously. National labour agencies will have to be active throughout by helping to place refugees in jobs and providing information and administrative support to employers that hire refugees.

Good practice:



The **Swedish government** has introduced a subsidy scheme to encourage employers to hire refugees into their first local jobs. Employers in the public or private sector receive subsidies of up to 80 percent of a refugee's wages (with a ceiling of roughly €75 per day). In addition to working, the refugees attend language courses. Subsidies can be awarded to employers for six to 24 months. The Swedish Public Employment Service reports that about 50 percent of these arrangements culminate in a refugee being offered regular employment after the subsidies end. However, it often remains difficult to hire refugees because of language

barriers. This stresses the importance of very early language acquisition and potentially the creation of low-skill job profiles that do not require extensive language skills.⁸⁷

Denmark has a similar system. Its “staircase” model maps a new arrival’s first steps in the labour market: identification of competencies and buildup of language skills (step 1), placement as a trainee in a company with fully subsidised wages (step 2), and start of a first job with wage subsidies (step 3).⁸⁸

In July 2016, the **German government** passed the labour market integration programme “Flüchtlingsintegrationsmaßnahmen” (“refugee integration measures”), which funds 100,000 “one-euro jobs” for asylum seekers whose proceedings are ongoing.⁸⁹ Over the course of three years, roughly €1 billion will be allocated to the programme. The jobs will largely be created by federal and communal agencies and are limited to charitable and non-profit work, thereby not creating competition with actual professional opportunities. Asylum seekers are able to contribute on a small scale early on, gain some experience in the German labour market, establish a structured daily routine, and earn a little extra money on top of their social benefits.⁹⁰

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- **Fast recognition of formal and informal qualifications and further training:** Many asylum seekers have no formal professional qualifications. Others are more educated but may lack the means to demonstrate it because their documents were lost along the journey or local employers do not know what to make of them. The recognition of formal qualifications and professional experience by the destination country is an important prerequisite for refugees finding jobs. Qualification assessments already exist in several countries for migrants. In **Germany**, for instance, they can require an investment of €100 to €1,000 per assessment, depending on the level of complexity. On average, the process of recognising foreign qualifications costs €420.⁹¹ Assuming that 1.3 million refugees remain in Europe and that those who had professional or academic training in their home countries require a qualification assessment, this could cost approximately €92 million.⁹² In a next step, refugees need pragmatic ways to complete partial education or training or to gain new professional qualifications quickly (for example, through vocational education). They need opportunities to demonstrate their skills with non-formal qualifications—for example, through internships that let employers see what they can do.

⁸⁷ *Labour market integration of refugees: Strategies and good practices*, European Parliament Policy Department A, March 2016; “Memorandum: Update on policy developments”, Swedish Ministry of Integration and Gender Equality, November 2008.

⁸⁸ *Labour market integration of refugees: Strategies and good practices*, European Parliament Policy Department A, March 2016.

⁸⁹ Jobs paying just about €1 per hour to increase employment opportunities.

⁹⁰ *Richtlinie für das Arbeitsmarktprogramm „Flüchtlingsintegrationsmaßnahmen“* (Directive for the labour market program “refugee integration measures”), German Federal Ministry for Work and Social Affairs, July 2016; “Kabinett macht Weg frei für 100.000 Arbeitsgelegenheiten für Flüchtlinge” (Cabinet makes way clear for 100,000 work opportunities for refugees), press release, German Federal Ministry for Work and Social Affairs, July 13, 2016.

⁹¹ *Erster Bericht zum Anerkennungsgesetz 2014* (First report on the Recognition Act 2014), German Federal Ministry for Education and Research, April 2014.

⁹² According to current estimates, this applies to 16 to 38 percent of the working-age refugee population. Using a conservative estimation of 24 percent, there are 220,000 refugees whose qualifications need to be assessed.

HOW TO DO IT:

Recognition of qualifications

Countries need a standardised system that enables quick recognition of academic diplomas and professional certifications from the refugees' countries of origin.⁹³ This system should compare foreign qualifications to national or European standards so that employers can understand how to evaluate the skills refugees possess. Formal qualifications that refugees cannot document should be pragmatically verified (for example, by taking into account statements from educators in home countries or other evidence such as information from registrars and tuition statements).⁹⁴ For recognition of professional qualifications, professional associations need to be involved in setting standards to ensure acceptance by national employers. Informally attained qualifications must also be formalised so they can be recognised in the host country. A competency check system can help record informal professional qualifications and soft skills.

A modular qualification system can help refugees complete prior formal or informally acquired qualifications. This type of system splits professional qualifications into separate content modules, all of which have to be completed to receive a formal qualification. A competency check indicates which modules, if any, refugees have mastered and therefore do not need to repeat. This can be complemented by in-depth testing administered by professional associations. Resulting diplomas must conform to the overall national qualification systems to ensure full acceptance by employers.

Good practice:



In 2013, **Norway** introduced a successful national system for formal academic qualification recognition. Administered by the Norwegian Agency for Quality Assurance in Education, it is aimed primarily at migrants who cannot provide documentation of their degrees. Refugees provide any credentials, such as biographies or work testimonials, and take part in formal interviews. An expert panel reviews the credentials and decides whether to award a formal academic degree. A recent sample showed that about 50 percent of the refugees whose qualifications were recognised in this manner in 2013 have since found employment or professional training opportunities.⁹⁵

France has far-reaching legislation that determines the right of all applicants with more than three years of professional experience to have their informal qualifications recognised, leading to formalised diplomas equivalent to national standards. Applicants take tests, and an accredited jury (professional trainers and educators) reviews their claims and decides whether a full or partial diploma is awarded. In an alternative procedure with the French Ministry of Social Affairs and Employment, applicants create a file detailing their work experience and are then observed in an actual working situation before a jury decides whether a diploma is awarded. Every year, roughly 65,000 people participate in this scheme, and roughly 50 percent manage to obtain a full-fledged diploma as a result.⁹⁶

In **Finland**, asylum seekers have the right to an individual education and training plan for their targeted qualification. Final competence-based examinations can be held with

⁹³ The EU has developed relevant instruments, such as the Lisbon Convention, to support such recognition. However, national governments are responsible for conducting the actual recognition procedures for both academic and professional qualifications.

⁹⁴ *Erfolgreiche Integration: Flüchtlinge und sonstige Schutzbedürftige* (Successful integration: Refugees and other vulnerable persons), OECD, January 2016.

⁹⁵ *Recognition procedure for persons without verifiable documentation*, Norwegian Agency for Quality Assurance in Education, October 2016: *Working together. Skills and labour market integration of immigrants and their children in Sweden*, OECD, May 2016.

⁹⁶ *Loi de modernisation sociale* (Social Modernization Act), 2002; Claudia Gaylor, Nicolas Schöpf and Eckart Severing, *Wenn aus Kompetenzen berufliche Chancen werden* (When skills become career opportunities), Bertelsmann Stiftung, 2015.

employers; they are individualised and module-based. Depending on their prior informal qualifications, applicants may have to pass only parts of these modules. Resulting qualifications conform with national standards. In 2012, more than 30,000 competence-based qualification certificates were administered.⁹⁷

- **Strong incentives and sanctions to participate in the workforce:** While many refugees will naturally do everything in their power to secure employment, others may continue to rely on social benefits. This may be a particular problem in European countries with strong social benefit systems and little financial incentive for people to join the labour market. Since a lasting integration into the regular labour force will not be easy for everyone, some might turn to the informal economy, which is easier to enter because of lower wages and less regulation. For these reasons, countries should provide strong incentives for refugees to participate in the formal labour market such as making unlimited residency permits dependent on labour market participation or ensuring sufficient minimum wages to make regular employment a more attractive alternative. Linking welfare payments or other social benefits to evidence of job search, and aiding with job search counselling and support services, could also create incentives to join the labour force. Governments could furthermore strictly enforce prohibitions on black market work, either by targeting the individual or by targeting employers that hire workers under the table with fines and penalties (which could include measures such as company closures or revocation of business licences).
- **Targeted support structures for female employment:** Unemployment rates of female migrants are often higher than those of male migrants. This particularly applies to refugees, who have significantly worse labour market outcomes, especially in the short to medium run.⁹⁸ There are multiple factors behind this. Tailored approaches for different groups of female refugees are required, such as dedicated qualification and employment programmes as well as mentorship and coaching to encourage their participation in the labour force. Labour agencies could provide such targeted support, but that would require an increase in personnel and investment in training and capacity to be equipped for this new task. Considering the importance of employment for refugees' access to networks of locals and for language acquisition, such investments would be to the economic and social benefit of women as well as the host state.

HOW TO DO IT:

Good practice:



In **Denmark**, the Danish Center for Research on Women and Gender (KVINFO) established the Mentor Network for migrant and refugee women in 2002. By connecting with working women with a wide range of professional profiles, they are being empowered to participate in the labour market and can establish a social and professional network. KVINFO initially reached out to 300 female professionals and has thus far matched more than 8,000 mentoring pairs.⁹⁹ Mentor and mentee set goals in their first meeting, then work together for six to 12 months to meet them. Progress is actively tracked by KVINFO staff members, who provide additional support when necessary. The Mentor Network is funded by the Danish Ministry of Social Affairs and Integration.¹⁰⁰

⁹⁷ Claudia Gaylor, Nicolas Schöpf, and Eckart Severing, *Wenn aus Kompetenzen berufliche Chancen werden* (When skills become career opportunities), Bertelsmann Stiftung, 2015.

⁹⁸ *Labour market integration of refugees: Strategies and good practices*, European Parliament Policy Department A: Economic and Scientific Policy, March 2016.

⁹⁹ "About KVINFO's Mentor Network", Danish Centre for Research and Information on Gender, Equality, and Diversity KVINFO, October 2016, <http://kvinfo.org/mentor/about-mentor-network>.

¹⁰⁰ "Women at work: The KVINFO Mentor Network", Cities of Migration, October 2009, http://citiesofmigration.ca/good_idea/mentoring-that-takes-the-other-out-of-the-picture/.

Educational integration: Empowering future generations

Roughly 30 percent of the discussed group of migrants of 2015–16 were children aged 18 or younger; more than 80 percent were aged 35 or younger. The youngest can take advantage of Europe’s high-quality schools and surpass their parents in educational attainment; they have the chance to become highly productive members of society. But slightly older refugees may have been unable to complete their education because of the difficult situation in their home countries, or schools in their home countries may not have adequately prepared them with the skills they will need to work in Europe. The education system is also the setting where many will gain language fluency, formally in class as well as in informal daily interactions. This is a critical building block for making progress in all other content areas. (See the discussion later in this chapter for more on language acquisition.) Overall, education is the gateway to successful integration and a productive life for younger refugees and the second generation. Key levers to address are as follows:

Success levers in educational integration

§ Structural/regulatory ✕ Operational

Success levers	
Integration areas	Educational integration
	
<ul style="list-style-type: none"> § Appropriate, extensive, and obligatory schooling for all refugee children and young adults § Adequate teacher training ✕ Effective prevention of segregation in all education environments ✕ Strong support and information for children and parents through education guides § Provide loan, grant, and scholarship schemes for higher education 	

- **Appropriate, extensive, and obligatory schooling for all refugee children and young adults:** Every child has a different educational background. The first step in integrating refugee children into the school system is to assess their competencies and place them in the appropriate class levels. Schools may need to expand to accommodate all refugee children, depending on the demand for more classes in individual countries. Overall in Europe, there are 5.5 refugee children below the age of 17 per 1,000 native school children who have to be accommodated now or when they reach school age. In Hungary, the figure is 26 refugee children per 1,000 natives, and it is 18 in Sweden and Germany.¹⁰¹ Smaller classes can make it easier to meet the needs of refugee children, particularly with regard to language acquisition. Some parents might be reluctant to send their children to school, so governments should provide adequate mandates and incentives.
- **Adequate teacher training:** Dealing with refugee children presents teachers with a variety of challenges. The children are likely to require particular attention. They may have experienced trauma, they may have difficulties learning new content in an unfamiliar language, and they may simply need time to adjust to new surroundings. Moreover, since children spend a significant amount of time in school, teachers can become important caregivers and key role models who fulfil a central role in refugee children’s lives. Governments need to provide additional means to prepare teachers adequately for these professional challenges.

¹⁰¹ Eurostat data on pupils and students enrolled by education level in 2013 and on monthly first-time asylum applicants between January 2015 and August 2016, McKinsey Global Institute analysis, October 2016.

HOW TO DO IT:

Empowering teachers

A combination of training programmes, additional support, and the sharing of best practices will enable teachers to help refugee children more effectively in the classroom. Core training sessions can raise awareness of their special needs and offer practical solutions for dealing with those who are traumatised or have behavioral difficulties. Other relevant topics include handling multicultural classrooms and teaching the national language as a second language. Teachers who speak the language of the refugee children, even if only the basics, can play a major role in helping them transition more easily into a foreign environment.

To ease the burden on teachers, additional help in many forms is needed. It could include specific study materials, specialised teaching assistants, or advice from educational psychologists. Teachers can also share experiences and best practices in formal or informal settings, where they might focus on topics such as class integration measures that have worked well, ways to promote language acquisition outside formal classes, and how to involve parents.

Good practice:



In **Austria**, the Federal Ministry of Education has launched an effort to improve the integration of refugee children in schools, investing €23.75 million in the effort. Most of that investment, some €15 million, will go towards language training. Teachers can easily access extensive materials on teaching German as a second language and attend training on how to teach to children who are just beginning to learn the language. The Federal Ministry has also introduced a central information point where teachers can get answers to specific questions. Psychological assistance for children in and outside school has been expanded. Some €3.2 million is allocated to so-called mobile intercultural teams that will act as counsellors, helping teachers, children, and parents bridge cultural differences, prevent segregation, and mediate where necessary. Austria also acknowledges the need for children to continue building skills in their native languages as a prerequisite for mastering German. Special courses for childhood literacy are offered in major cities.¹⁰²

- **Effective prevention of segregation in all education environments:** Understandably, in a new and unfamiliar environment, refugee children may tend to flock to the familiar. Socialising with other refugee children of the same cultural background can feel natural and easy, while local children may find it difficult at first to mingle with migrant children of different backgrounds and experiences. It is hence important to have combined classes with local and refugee children as soon as they are sufficiently proficient in the native language.¹⁰³ Extracurricular activities, such as sports, can provide the right setting to break through barriers and help children connect. Educational facilities need to be particularly creative in avoiding segregation. An equal distribution of refugee children across schools can be helpful to achieve this.
- **Strong support and information for children and parents:** European educational environments and cultures are different from what refugees may have known in their countries of origin. Children and parents may have difficulties navigating these differences.

¹⁰² *Flüchtlingskinder und-jugendliche an österreichischen Schulen* (Refugee children and youth in Austrian schools), Beilage zum Rundschreiben, Austrian Federal Ministry for Education and Women, September 2015; Julia Neuhauser, "Flüchtlinge: 200 Lehrer mehr für Sprachförderung" (Refugees: 200 more teachers for language promotion), *Die Presse*, March 23, 2016.

¹⁰³ Previous research indicates that a high number of foreign students in a class has a negative impact on foreign students' educational performance. See Maria De Paola and Giorgio Brunello, *Education as a tool for the economic integration of migrants*, IZA discussion paper number 9836, March 2016.

Explanatory materials in various languages can provide helpful information on the school system. In addition, making personnel available to assist and inform both children and parents about what to expect can ease initial problems (see the Austrian good practice example above). A particular focus should be placed on providing support in transition periods (for example, between elementary and secondary school) to ensure that children stay in school and are informed about their possibilities.

- Provide loan, grant, and scholarship schemes for higher education:** More than 50 percent of asylum seekers in Europe are between 18 and 34 years old, and 9 percent are between 14 and 17 years old.¹⁰⁴ Those who are still in school, who already have secondary education, or whose post-secondary education may have been disrupted have the potential to go further—and giving them opportunities to obtain higher education can help them succeed in the labour market. Providing young refugees with opportunities to study also prevents them from long periods of inactivity because of unemployment. The French University Service, for instance, distributes scholarships and special assistance to refugees, based on the assessment of a commission of academics and professionals. The funds are provided by the Ministry of the Interior as well as the EU.¹⁰⁵

Housing and health integration: Providing home and well-being

Experience in cities worldwide has shown that active housing integration measures are essential for avoiding segregation and ultimately for counteracting discrimination.¹⁰⁶ Refugees also need full access to the host countries' health-care systems. Success factors include the following:

Success levers in housing and health integration

§ Structural/regulatory
 ✕ Operational

Success levers	
Integration areas	<div style="display: flex; align-items: center;"> <div style="background-color: #0070C0; color: white; padding: 5px; text-align: center; width: 150px;">Housing and health integration</div> <div style="margin-left: 10px;">  <ul style="list-style-type: none"> § Sufficient provision of affordable housing options § Thoughtful location choices § Targeted preparation of the health-care system for needs of refugees ✕ Reduction of administrative and linguistic barriers in the health-care system </div> </div>

- Sufficient provision of affordable housing options:** More than a million refugees will need homes as they move from reception centres and settle in a more permanent fashion. Governments need to make sure that local housing markets provide sufficient and affordable options, since a home constitutes refugees' main physical anchor in their new host countries. This needs to begin with support for additional construction in locations where housing markets are saturated. It also needs to include efforts to provide refugees with effective information and placement.

¹⁰⁴ Data from Eurostat on monthly first-time asylum applicants by age between January 2015 and August 2016, as of October 2016.

¹⁰⁵ "C'est près de 16 000 bourses que l'EUJ a distribuées depuis 1945" (The EUJ has distributed almost 16,000 grants since 1945), Entraide Universitaire Française, October 2016.

¹⁰⁶ Wolfgang Bosswick, Doris Lüken-Klaßen, and Friedrich Heckmann, *Housing and integration of migrants in Europe*, European Foundation for the Improvement of Living and Working Conditions, 2007.

HOW TO DO IT:

Good practice (outside of Europe):



Between 1989 and 2005, approximately one million Russian Jews, de facto refugees who were subjected to threats to their personal safety, political instability, economic hardships, and anti-Semitism, migrated to **Israel**.¹⁰⁷ To accommodate the influx of new arrivals, the government introduced large-scale public and subsidised housing construction in peripheral areas, which were offered to migrants at affordable prices.¹⁰⁸ In combination with cash grants and subsidised mortgages, this enabled 75 percent of Russian migrants to fund their own apartment within five years of settlement in Israel.¹⁰⁹

- **Thoughtful location choices:** Refugees tend to gravitate towards cities where they may find communities of their own nationality; they may be drawn to the comfort of hearing a familiar language and may make use of these networks to find jobs. But this tendency often leads to overcrowding of these groups in urban areas, where segregation may harden over time into a subculture that exists apart from the rest of the community. Furthermore, the local labour market may not be able to absorb more refugees, and schools and other educational facilities may be stretched to accommodate the need to provide general education as well as language classes. The cost of living is also higher in dense urban areas. The allocation of refugees needs to be balanced across regions, while taking into consideration the structural weakness or strength of these areas and the option of adding supporting services.

HOW TO DO IT:

Smart allocation mechanisms

Distributing asylum seekers across regions in a country can avoid concentration and segregation. Moreover, it ensures that the costs as well as the benefits of integrating refugees who stay is more fairly spread across the country. Allocation is ideally mandatory and conducted right after an asylum seeker arrives so the individual can begin integrating in the new environment quickly. It should ideally take into account factors such as the odds of finding work, the availability of housing, and the capacities of different regions to support asylum seekers. Naturally, refugees who are granted asylum status and who find self-sustaining employment elsewhere should be granted the right to move.

Good practice:



Denmark has introduced a housing scheme in which municipalities can get financial transfers for operating refugee camps and centres, which tends to encourage wider distribution geographically.¹¹⁰ This is done in collaboration with the Red Cross, which gives these centres legitimacy and independence.



Germany has long allocated asylum seekers to federal states according to the states' financial means and population. Its newly implemented integration law keeps the allocation system in

¹⁰⁷ Sammy Smooha, "The mass immigrations to Israel: A comparison of the failure of the Mizrahi immigrants of the 1950s with the success of the Russian immigrants of the 1990s", *Journal of Israeli History*, volume 27, number 1, March 2008.

¹⁰⁸ *OECD reviews of labour market and social policies: Israel*, OECD, January 2010.

¹⁰⁹ Sammy Smooha, "The mass immigrations to Israel: A comparison of the failure of the Mizrahi immigrants of the 1950s with the success of the Russian immigrants of the 1990s", *Journal of Israeli History*, volume 27, number 1, March 2008.

¹¹⁰ *Informationsbrev om boligplacering af flygtninge* (Information letter on housing of refugees), Danish Ministry of Immigration, Integration and Housing, October 2016.

place; assignments are obligatory after a positive asylum decision has been given. Refugees are assigned to live in a certain state, spreading the responsibilities evenly across the country. A hardship clause of the integration law regulates that if refugees or their family members find self-sustaining employment elsewhere, they are no longer subject to the assigned location and can move.¹¹¹

- **Targeted preparation of the health-care system:** Each country has a basic responsibility to care for and protect the refugees it has taken in. This includes providing them with access to adequate health care, addressing special treatment needs. Psychological counselling may be needed, since many refugees have suffered tremendous losses and witnessed terrible violence. Moreover, refugees may need to make up for missed preventive care in their home countries. Treating refugees may pose extra challenges because of language barriers. In Germany, for instance, average spending on providing health care for refugees and asylum seekers was approximately €1,500 per person in 2013.¹¹² This initially constitutes an additional burden for the health-care system, even though it might be compensated for in the long term as refugees integrate into the labour market and eventually contribute to the social system.

HOW TO DO IT:

Mental health as top priority for refugees

Many refugees have lost their livelihoods, homes, and possibly loved ones. They have been forced to leave behind everything that was familiar, and they may have survived harrowing journeys. As a result, many may suffer from issues such as post-traumatic stress disorder, depression, or anxiety—any of which makes it more difficult to tackle the challenges of learning to fit into a new country. States need to provide early and routine mental health checks and ensure psychological care for refugees.

Good practice:



Sweden and **Finland** are among the few countries that include an assessment of each refugee's mental health in routine checkups to make sure that psychological difficulties are spotted and counselling is provided as soon as possible. Sweden connects refugees with health-care centres tailored to their needs, with counselling from “health communicators” who speak their language and are familiar with the Swedish health-care system.¹¹³ While such comprehensive systems are beneficial for refugees in need, they entail the risk of causing bottlenecks in health-care infrastructures that are not prepared for abrupt increases in demand.

- **Reduction of administrative and linguistic barriers in the health-care system:** Merely making the health-care system available to refugees is not sufficient if they lack the ability to navigate it. As strangers to the country and the system, refugees need to be made aware of which benefits they are entitled to and how the local health-care system

¹¹¹ Aufenthaltsgesetz (Residence Act) §12a, August 2016.

¹¹² Kayvan Bozorgmehr and Oliver Razum, “Effect of restricting access to health care on health expenditures among asylum-seekers and refugees: A quasi-experimental study in Germany, 1994–2013”, *PloS One*, July 2015. This is considerably lower than the average per capita spending for Germans of about €3,400 per inhabitant (source: Eurostat data on health-care expenditure by financing, May 2015) due to the restricted access to health care during the asylum process.

¹¹³ *Labour market integration of refugees: Strategies and good practices*, European Parliament Policy Department A, March 2016.

works. In addition to bureaucratic and administrative hurdles, language creates immense barriers that may lead people to hesitate in seeking out care that they need. Simple solutions can be implemented quickly, such as information brochures and translation materials with pictures. The German Ministry of Health, for example, released an information brochure in seven languages specifically to introduce the German health-care system to refugees.¹¹⁴ More sophisticated solutions should be implemented in the medium term, such as centralised translation services that can be accessed by doctors and hospitals.

Sociocultural and language integration: Fostering common understanding

Social integration touches on crucial questions of whether refugees can truly put down roots and build a future in their new home country. Social cohesion relies on mutual understanding, trust, and cooperation. Language is one of the fundamental factors that determines whether refugees can participate in society—and it allows them to engage in the kind of daily interactions with neighbours and colleagues that can defuse broader mistrust. The key levers of success are as follows:

Success levers in sociocultural and language integration

§ Structural/regulatory ✕ Operational

Success levers

Integration areas	Sociocultural and language integration	Success levers
		 <ul style="list-style-type: none"> § Early and obligatory acquisition of the host country language ✕ Understanding of and respect for the values and norms of society (e.g., the role of women) ✕ Mutual social interaction and integration between refugees and natives

- **Early and obligatory acquisition of the host country language:** Language acquisition is perhaps the most central element of integration; it enables all others. In Europe, national languages are the dominant form of communication in private, educational, and professional contexts, so even speaking English is not enough in the long run. Helping refugees gain fluency is critical to preventing inequalities in education, income, and civic life. Programmes to foster language abilities may be costly, but they are critically important. Making local language instruction available to the adult refugee population would require creating approximately 910,000 language class opportunities.¹¹⁵ The cost would depend on the duration and intensity of the courses. A full-time course in Sweden, for instance, costs roughly €4,000 per student.¹¹⁶ In the United Kingdom, the government spends between €115 and €1,000 per language course.¹¹⁷

¹¹⁴ www.ratgeber-gesundheit-fuer-asylsuchende.de.

¹¹⁵ Assuming that all adult refugees require language courses.

¹¹⁶ Skolverket, Swedish National Agency for Education, October 2016.

¹¹⁷ *English for Speakers of Other Languages (ESOL) equality impact assessment*, UK Government, Department for Business, Innovation and Skills, July 2011.

HOW TO DO IT:

Principles of language acquisition

Language acquisition is so important that it should be obligatory for every refugee, with close guidance throughout the process. The following principles seem to ensure effectiveness.

- **Early and continued learning:** Language acquisition should start the day a person applies for asylum and continue throughout the application process. People who are likely to receive a positive decision should have full access to language classes from day one. Those likely to receive a negative decision should still get help learning the basics, perhaps through an app or booklet. Since many migrants might not gain proficiency within the first year, it is critical to sustain these efforts. The objective should be to reach at least level B1 of the Common European Framework of reference for languages in a first step; this corresponds to an upper intermediate level, which employers often set as a minimum standard for hiring.
- **Individualised language learning:** While full-time language courses are worthwhile, learning also needs to take place alongside professional or educational occupations to make sure it has real-world relevance. This calls for combined or time-flexible programmes. Along with formal courses, it is important to include low-key language learning through community activity and conversation. Language learning programmes should also be tailored to the needs of target groups, such as children, older learners, or mothers. Children need particular focus; they are in an ideal position to learn their new host country's language because of their natural cognitive abilities and their tendencies to socialise. Early childhood education is particularly crucial for building the right foundations from the beginning. Children can eventually act as language ambassadors, helping their parents accelerate their own mastery.
- **Structural incentives and sanctions:** Strong structural incentives can spur refugees to learn the language of their host country. They could be obliged to earn formal language certificates, for example; some countries have even imposed consequences such as reduced benefits if refugees do not attend language classes made available to them or drop out without valid reasons. A certain level of language proficiency can be made mandatory for receiving an unlimited residence permit as a main marker of integration success.

Good practice:



Many European countries have combined language acquisition with job programmes. In **Sweden's "Introduction Programme"**, all immigrants draw up an individualised plan with a counsellor from the Public Employment Service. The plan frequently includes language acquisition, employment preparation measures, and civic orientation. It generally lasts for two years, during which time participants receive an "introduction benefit" for their participation (around €30 per day).¹¹⁸

Finland has established a similar programme in which immigrants follow individual "integration plans" for up to three years, with particular emphasis on language acquisition. The programme provides a high return on investment by boosting immigrants' employment rates and reducing their need for social support. In comparison to migrants who arrived prior to the first reforms during the 1990s, average employment increased by 1.5 months and annual earnings rose by some €3,000.¹¹⁹

¹¹⁸ *Working together. Skills and labour market integration of immigrants and their children in Sweden*, OECD, May 2016.

¹¹⁹ Matti Sarvimäki and Kari Hämäläinen, "Assimilating immigrants. The impact of restructuring active labour market programs", *Journal of Labor Economics*, volume 34, number 2, April 2012.

In **Germany**, so-called competency-activation measures, jointly introduced by the German Federal Employment Agency and the Federal Office for Migration and Refugees, make it possible for asylum seekers to participate in part-time language training and spend the rest of their week on small working opportunities, qualifications checks, and professional counselling.¹²⁰

- **Understanding of and respect for the values and norms of society:** As they master the language, refugees also need to become acquainted with the social norms, customs, and values of their host societies. They have to understand and learn to respect certain local values and behaviour that might fundamentally differ from the prevailing norms in their home countries. This is particularly relevant for refugees from conservative Islamic communities who may be unused to seeing women play an equal role in society. Governments and stakeholders throughout society will have to promote mutual tolerance and find ways to avoid and defuse tensions.

HOW TO DO IT:

Making values explicit

From the moment they arrive in a reception centre, refugees should be introduced to core European values. These include the role and rights of women, tolerance for all sexual orientations, and the role of religion in secular Western societies. It is important to communicate these values in an explicit and understandable way. Providing easy-to-digest information through booklets or apps can be a first step, although that should be quickly complemented by more extensive integration courses in which real-life situations can be discussed.

Good practice:



Norway has been offering courses on social norms in reception centres since 2013, with a focus on gender equality and the role of women. An independent non-profit organisation trains refugee centre workers to conduct these sessions. Participants are encouraged to discuss their personal views and experiences, which seems to be more effective than presentation-style teaching alone. Supporting course material spurs discussion and avoids casting migrants in a bad light: “Arne”, a fictional Norwegian character, demonstrates bad behaviour towards women, while a fictional immigrant character reflects critically on Arne’s behaviours.¹²¹

- **Mutual social interaction and integration between refugees and natives:** Integration is a two-way street, and it succeeds only when it is embraced by refugees and the national population alike. Refugees need to actively grasp opportunities to take part in the cultural and social life of their new communities. Nationals need to make an equivalent effort to interact with and include refugees. Direct contact between neighbours is often the best antidote to discrimination. Getting local citizens on board for the integration process and encouraging interaction in settings such as sport clubs, cultural associations, and festivals can help to build a more inclusive community where refugees can gain a sense of identification and belonging.

¹²⁰ *Asylbewerber und Flüchtlinge. Überblick über wesentliche Aktivitäten der BA zur Integration von Flüchtlingen in den Arbeits- und Ausbildungsmarkt* (Asylum applicants and refugees: Overview of the main activities of the employment agency for integrating refugees in the labour and training market), German Federal Employment Agency, May 2016.

¹²¹ Andrew Higgins, “Norway offers migrants a lesson in how to treat women”, *New York Times*, December 19, 2015.



An unprecedented influx of arrivals has taken Europe by surprise and put its asylum and integration infrastructure to the test. Having travelled far and made a deliberate choice to come to Europe, many refugees could be motivated to stay for the long term. It will take carefully crafted policies to meet the logistical and societal challenges of helping new arrivals fit into their communities and reach their full productive potential. Having committed to substantial fiscal outlays, countries now have to put these investments to the right use. The countries that make integration a priority will be positioned to generate better outcomes—not just for immigrant populations but also for their own economies. Finally, the EU should play a more active role in uniting the numerous stakeholders, securing borders, distributing the burden fairly among its member states, and creating common standards and policies for the asylum procedure. This will be a defining challenge for Europe, testing its ability to honour its commitments, coordinate its member states, and set a benchmark for how advanced economies everywhere can respond in times of global humanitarian crisis.





TECHNICAL APPENDIX

To determine the contribution of migrants to European GDP in 2025, we used Eurostat data on first-instance decisions on asylum applications for 2015 and the first two quarters of 2016 in 18 European countries.¹²² To estimate the total number of refugees entitled to remain in Europe, we used the total number of asylum seekers who arrived in these European countries between January 2015 and August 2016 and projected the number of asylum seekers likely to receive a positive decision based on current acceptance rates for each country. This resulted in a stock of refugees of approximately 1.3 million people for the 20-month period. For each European country, the corresponding GDP per capita estimates for 2025 are also obtained.¹²³

For each country, we convert the GDP per capita into a value we call “GDP per worker”—a measure of how much output each working person in the respective country produces.¹²⁴ To obtain this measure, we look at three factors in each country: the share of the population that is working age (defined as ages 15 to 65), the labour force participation rate (defined as the percentage of the working-age population that is either employed or actively looking for a job, also known as the active rate), and the likelihood of employment (defined as the percentage of the active population that is employed).¹²⁵ GDP per worker in 2025 is then calculated by taking GDP per capita estimates for 2025 and dividing it by the product of the above three percentages. The resulting value can be interpreted as the output that any single worker could be expected to produce in a given country in 2025 before any adjustments because of skill level, productivity differences, or other factors.

Next, we split the 2015–16 refugee stock in Europe into three segments based on skill levels. High-skill refugees are those who had professional or academic training before arriving in Europe; medium-skill refugees are those who had secondary education or vocational training but did not finish their degrees; and low-skill refugees are those who had basic education, no education, or no professional or vocational training.¹²⁶ However, most sources of this information rely on estimates, and these estimates vary sharply depending on the source. We therefore use several sources to establish a spectrum of qualification inputs.¹²⁷ We then built two models, drawing on the most optimistic and pessimistic qualification assessments, respectively. In each one, we adjust the GDP per worker measure calculated in the previous step for each skill level to account for variances in how much an individual

¹²² Eurostat data on first-instance decisions on applications by citizenship, age and sex, September 2016; countries: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

¹²³ Forecast from the Economist Intelligence Unit, June–July 2016.

¹²⁴ A working person is defined to be anyone age 15 or older who is employed.

¹²⁵ Working-age share and labour force participation rate are based on population and working-age population forecasts from the Economist Intelligence Unit, June–July 2016. Likelihood of unemployment is based on IHS Global Insight World Market Monitor data.

¹²⁶ Due to the difficulty of comparing educational and vocational systems across countries, it is likely that a large portion of low-skill refugees had professional experience but were never specifically trained. The numbers might thus underestimate the professional qualifications of the refugee population.

¹²⁷ The low-skilled share has been estimated at anywhere from 13 to 69 percent of the total refugee cohort; the medium-skilled share has been estimated at 12 to 49 percent; and the high-skilled share has been estimated at 19 to 38 percent. These sharp differences result from large variations of education levels across refugee groups as well as the difficulty of comparing qualifications across countries. These figures are based on the following sources: *IAB-BAMF-SOEP-Befragung von Geflüchteten: Überblick und erste Ergebnisse* (IAB-BAMF-SOEP survey of refugees: Overview and first results), Institute for Employment Research, November 2016; Susanne Worbs and Eva Bund, *Persons entitled to asylum and recognised refugees in Germany: Qualification structure, labour market participation and future orientations*, BAMF-Kurzanalyse, January 2016; and *Asylberechtigte auf Jobsuche*, Austrian Public Employment Service, January 2016.

migrant might produce compared with another migrant because of differences in skill and education. (For example, a high-skill refugee would likely contribute more to GDP in a given destination versus a low-skill migrant).¹²⁸

At this point in the calculation, we have the total number of refugees allowed to stay in the respective European country of destination and an estimation of a range of contributions of each refugee based on skill level. We then estimate how many of these refugees in each country are actually of working age and employed. To assess the number of refugees at working age in 2025, we use data on the age of the current refugee population in Germany and “age” it by ten years.¹²⁹ Furthermore, we include information on the percentage of working-age refugees who are active and the percentage of the general population that is employed.¹³⁰

To arrive at initial estimates of the total economic contribution the refugees could make in Europe by 2025 using the high- and low-qualification models, we multiply the GDP per worker for each skill level by the corresponding number of working-age and employed high-, medium-, and low-skill refugees for each country, and sum these results for each model. The results are €90 billion and €100 billion, respectively. This gives a blunt estimate of the contribution of refugees in Europe, assuming that they have the same unemployment rates and wage levels as the native population.

To account for the lengthy and difficult process of integration, which very likely will not be completed by 2025, we first include a higher unemployment rate for the refugee cohort.¹³¹ Second, refugees originating largely from developing regions tend to have lower wages than natives in Europe. To account for this effect, we simulate two scenarios and apply this to the two models above. In the first, we estimate that refugees will earn wages that are 20 percent less than those of natives. In the second, we increase this wage haircut to 30 percent. By applying these two percentages to the calculated GDP per worker for each country included in our model, we obtain the absolute contribution range of €67 billion to €76 billion for refugees in Europe by 2025, assuming an overall higher qualification level of refugees. Under the assumption of the low end of the qualification spectrum, the absolute GDP contribution ranges from €55 billion to €63 billion. Overall, we expect refugees to contribute an average of €65 billion to European GDP by 2025 (Exhibit A1).

¹²⁸ Skill adjustment factors to GDP per worker were estimated from Eurostat data by comparing mean income for all workers across all education levels in the EU-15 countries to average income for workers at each of the three skill levels described in this appendix.

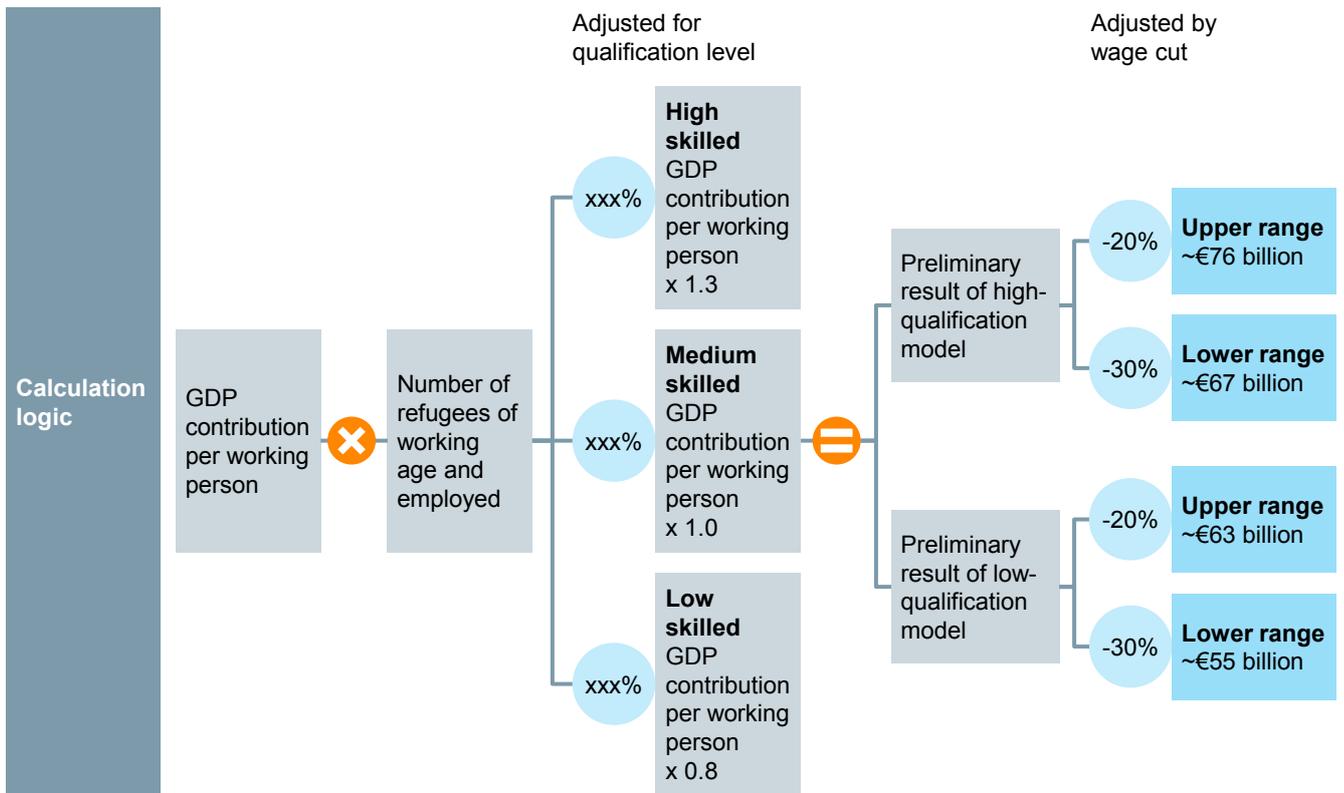
¹²⁹ The working-age population includes everyone between 15 and 65. Based on data on first-time asylum applications between January 2015 and June 2016, German Federal Agency for Migration and Refugees, October 2016.

¹³⁰ The labour force participation rate of refugees is assumed to be 105 percent that of natives due to a much higher share of males in the refugee population than in the native population, because males in general have a higher participation rate than females; employment likelihood is assumed to be seven percentage points lower than that of natives due to a lower employment likelihood of refugees compared with natives observed in the literature.

¹³¹ Employment likelihood is assumed to be seven percentage points lower than of natives due to a lower employment likelihood of refugees compared with natives observed in the literature.

Calculation method and input for refugee GDP output contribution model

Based on year 2025



Input	Country-specific; weighted average ~60% ¹	Objective: People go into at least the professional job level they had in their home country ² <ul style="list-style-type: none"> High: 19% to 35% Medium: 12% to 50% Low: 15% to 69%
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1 Country-specific employment rates based on overall expected employment and relative performance of refugees.
 2 Based on several studies, we established a spectrum of education levels and estimated a high-qualification and low-qualification model.

SOURCE: Eurostat; German Federal Office for Migration and Refugees; McKinsey Global Institute analysis



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