

MIGRATION

Economic Migration and the Role of Cities - Ensuring Social Cohesion

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Abstract

Cities are at the forefront of welcoming migrants and providing them with basic services. This often puts pressure on cities and already scarce resources. Some cities have experienced resentment of their inhabitants towards migrants. With an intensifying global migration crisis this could become a serious threat to the social cohesion within host countries.

Although integration is a complex issue, finding adequate work is often an important requirement. Through language training and vocational education cities are taking a lead when it comes to labour market integration. And though they play a pivotal role, cities are not involved in any decision-making around migration, education and employment policies as these are usually national competencies.

We call upon the G20 leaders to recognize cities as active agents in managing migration. We suggest to give cities a place at the policy negotiating table and equip them with adequate funds to fulfil the important task of integrating migrants.

Challenge

Migration, triggered whether through concerns of economic prosperity or physical security, is a predominantly urban phenomenon. Migrants overwhelmingly settle in cities once they arrive in their destination country. As many as 92% of immigrants in the United States, 95% in the United Kingdom and Canada, and 99% in Australia live in urban areas. Similarly, more than 60% of Europe's total non-EU immigrant population lives in cities. In Turkey, which hosts the world's largest refugee population currently, more than 90% of the 3.6 million Syrians live in urban areas as well.

Notably, one important trend is the increasingly pivotal role 'secondary cities'¹ play in hosting immigrants and refugees around the world. In Turkey, which hosts the world's largest refugee population currently, for example, the three largest cities (Istanbul, Ankara and Izmir) are home to only about 20% of the country's nearly 4 million refugees. Similarly, in Europe, migrants are increasingly settling in non-metropolitan areas, for instance in the smaller municipalities of Italy's Lazio or Lombardy provinces,

1 There are competing conceptualizations for 'secondary cities.' In terms of the net population, the frequently used category is cities hosting between 500,000 to 3,000,000 inhabitants. In terms of their roles and functions in their country, 'secondary cities' population size is often between 10 to 50 percent of the country's largest city, and they often assume administrative, economic, or logistical roles outside of the country's leading metropolitan area.



instead of major hubs such as Rome or Milan.²

Cities are the first responders to migration and face the challenge to provide migrants with adequate housing, education, health services and access to employment. This often puts pressure on the city's infrastructure and already tight budgets. In some cities local inhabitants might feel like they are competing for scarce resources such as affordable housing and jobs. This can lead to resentment towards migrants.

In alignment with the principle of subsidiarity cities should be most suitable for the task of accommodating migrants: they have extensive experience with delivering social services, coupled with a deep understanding of local requirements. Moreover, city dwellers in developed countries not only believe that local authorities are extremely important for integration of immigrants, they also perceive them to be more competent than national authorities in achieving this goal. EU citizens, on average, claim that their city is more successful than their country in integrating immigrants. Coupled with the fact that 90% of the Europeans' belief in the importance of local and regional authorities for the successful integration of immigrants, these two statistics offer a strong case for increased role of local authorities in decision-making for integration of migrants.

Another significant dimension is the role cities in developing countries play for hosting refugees. Africa is the world's fastest urbanising continent. According to one 2007 study of 90 developing countries, Africa is the only region where urbanisation is not correlated with poverty reduction.³ This policy brief will therefore focus on cities in developed countries. For a detailed look at the specific situation of refugees and migrants in developing countries please refer to [this policy brief by the Kiel Institute for the World Economy](#).

Cities and Economic Migration

Economic migration stems from individuals' quest to reduce their 'distance to density' and to maximize the opportunities they can tap into in their immediate environments. Cities and local governments support economic integration efforts through services including language training, skills assessments and orientation, mentoring and placement services, alternative pathways to employment (such as entrepreneurship), credential recognition and vocational education and training.

2 World Economic Forum and PwC, Migration and Its Impact on Cities, October 2017.

3 Left behind. All over the world, people escape poverty by moving to cities. Why does this not work so well in Africa? (2016). The Economist. <https://www.economist.com/news/middle-east-and-africa/21707214-all-over-world-people-escape-poverty-moving-cities-why-does-not>



The economic effects of migration are diverse but predominantly positive in developing countries. The literature looking at the economic effects on migration is comprehensive, a good overview can be found in the report *People on the Move*: “The general lesson is that the impact depends on the characteristics of flows of incoming migrants, the institutional and economic characteristics of receiving countries and the swiftness of integration.”⁴

Jaumotte et al (2016) find that a 1 percentage point increase in the share of migrants raises the receiving country’s GDP per capita by 2 percent (in advanced economies).⁵ The study shows that, over the longer term, both high- and low-skilled workers who migrate bring benefits to their new home countries by increasing income per person and living standards. High-skilled migrants bring diverse talent and expertise, while low-skilled migrants fill essential occupations for which natives are in short supply and allow natives to be employed at higher-skilled jobs.

An economic simulation for Germany shows that the economic break-even point can be reached by 2025: that is when the gross value contributions of working migrants outweighs the public spending for non-working migrants.⁶

Since the economics effects are usually positive for the host country, the G20 member states should further strengthen cities in their efforts to integrate migrants into the labour market.

Education and Labour Market Integration – Obstacles and Gains

There are, however, several obstacles for migrants who want to enter the job market in their host country. Some of the typical obstacles include language barriers, difficulties getting recognition for education and work experience, obtaining work permits, limited access to professional networks and cultural barriers.⁷

Migrants face a sizable skill downgrade and relatively large and persistent wage gaps as Beyer (2016) shows for the German labour market.⁸ However, studies tend

4 Batsaikhan, U., Darvas, Z., Raposo, I. (2018). *People on the Move*. Migration and Mobility in the European Union. Bruegel. http://bruegel.org/wp-content/uploads/2018/01/People_on_the_move_ONLINE.pdf

5 Jaumotte, F., Koloskova, K., Saxena, S. (2016). *Migrants Bring Economic Benefits for Advanced Economies*. IMF. <https://blogs.imf.org/2016/10/24/migrants-bring-economic-benefits-for-advanced-economies/>

6 Brühl, V. (2016). *Die Kosten der Flüchtlingskrise in Deutschland – eine Investition in die Zukunft?* Wirtschaftsdienst. <https://archiv.wirtschaftsdienst.eu/jahr/2016/7/die-kosten-der-fluechtlingskrise-in-deutschland-eine-investition-in-die-zukunft/>

7 Hooper, K., Desiderio Vincenza, M., Salant, B. (2017). *Improving the Labour Market Integration of Migrants and Refugees*. Empowering Cities through netter use of EU instruments. Migration Policy Institute Europe.

8 Beyer, Robert (2016) ‘The Labor Market Performance of Immigrants in Germany’, IMF Working



to converge on the fact that more advanced language skills reduce wage penalties for immigrants, underlining the need for early training in the host country language as part of the integration process.⁹ Besides acquiring the host country's language, vocational training and a professional degree increase the employment probability by nearly 20 percent and the average wage by nearly 23 percent.¹⁰

Obstacles that cities face include the aforementioned lack of steering competences. Decisions regarding education and labour integration policies are not made on a city-level nor do cities have influence on decisions such as teacher recruitment and training.

Different levels of governance might also follow different integration priorities which poses a challenge for cities. With limit funding for education and labour market integration programs cities are also not always equipped to evaluate and prioritise what programs work and they don't have the knowledge or capacity to scale successful programs.¹¹

With many stakeholders being involved in the integration process, cities may struggle to coordinate with national and regional authorities as well as civil society and the private sector. They may find themselves dealing with integration authorities, public employment services, social welfare authorities, recognition bodies and so on. The German foundation "Jobführerschein", for example, combines the capabilities of the private and public sector and offers a 10-week language and job training program for migrants¹². By bringing together different stakeholders within a city or region some of the aforementioned obstacles for migrants and cities can be alleviated and ease the job market integration.

Policy Recommendations

One of the main challenges outlined in this policy brief, is the fact that national governments are taking the lead setting employment, education and integration frameworks. Cities and regions who are supporting migrants in most aspects regarding their new life, don't have a seat at the table to influence these frameworks. That's why we suggest that national policies need to allow for more flexibility, so that cities can

Paper 16/6, International Monetary Fund

9 Dustmann, C., Schönberg, J., Stuhler J. (2017). Labor supply shocks, native wages, and the adjustment of local employment. *The Quarterly Journal of Economics* 132(1): 435-483

10 Bach, S., Brückner, H., Haan, P., Romiti, A., van Deuverden, K., Weber, E. (2017). Refugee Integration: a worthwhile investment. *DIW Economic Bulletin*.

11 Hooper, K., Desiderio Vincenza, M., Salant, B. (2017). Improving the Labour Market Integration of Migrants and Refugees. Empowering Cities through better use of EU instruments. Migration Policy Institute Europe.

12 More information about the foundation "Jobführerschein" under <http://www.stiftung-jobfuehrerschein.de/en/>



adapt them to their local needs. Furthermore, we suggest that G20 member states delegate some of their responsibilities to cities and local governments.

The European Union (EU), for example, has used its regulatory competence to prompt reforms in EU Member States that improve the integration of migrants in local labour markets. The Reception Conditions Directive, for example, requires Member States to grant labour market access to asylum seekers no later than nine months from the date of applying for asylum. EU regulation has also triggered national reforms that ease the process gaining recognition for qualifications acquired abroad.¹³

While the EU offers significant funding for labour market integration activities, these funds are granted to Member States and can only reach cities indirectly.¹⁴ This means cities have to rely on national governments for funding and also align their priorities with national objectives instead of focusing on their local needs. We therefore suggest to set-up an Integration and Development Fund for cities to receive direct European financial support for welcoming refugees and migrants. In addition to funds that support integration activities and programs, cities receive the same amount of money for the development of their own infrastructure. Solidarity would thus be rewarded through support for local development. This incentive scheme would also allow for more justice European and non-European people in need.

In favour of such a fund, the European Parliament has made an important preliminary decision to ask the Commission for financial support “directly to cities in return for receiving refugees and asylum seekers”. This Parliamentary initiative was voted on in March 2018. French President Macron has also asked for direct European financing of cities that carry out integration efforts in his speech to the European Parliament on April 17th.

We encourage the G20 leaders to closely follow the discussion around a European fund for cities and consider setting-up similar funds to better equip cities especially in so-called transit- countries.

We suggest to form multi-stakeholder councils with representatives of politics, private sector and civil society to foster the support and the solidarity among citizens of the host country. These councils would prepare, in collaboration with migrants, local integration strategies as well as municipal and regional development plans. If cities can decide voluntarily and in their own interest to welcome refugees and migrants,

¹³ Hooper, K., Desiderio Vincenza, M., Salant, B. (2017). Improving the Labour Market Integration of Migrants and Refugees. Empowering Cities through better use of EU instruments. Migration Policy Institute Europe.

¹⁴ Hooper, K., Desiderio Vincenza, M., Salant, B. (2017). Improving the Labour Market Integration of Migrants and Refugees. Empowering Cities through better use of EU instruments. Migration Policy Institute Europe.



national governments are much less exposed to the accusation of deciding against “the people”. The discussion on the opportunity to welcome migrants and refugees will take place where it should: in the community.

Further we suggest to form the “G20 City Forum”. A platform where peer cities can share their experiences and a transfer of good practices can be enabled. Cities might use this platform as network to further advance national and international solutions to the migration challenge.

In many developed economies the skilled labour gap will only intensify within the next several years. We ask the G20 members to conduct detailed studies of the gaps within the affected industries and examine if migrants could fill those gaps. The results of these studies should be discussed with cities and local governments to develop strategic job training programs that ease the skilled labour gap.



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