

Gudrun Biffl
Philip Martin (Eds.)

**Integrating
Low-Skilled
Migrants in the
Digital Age:
European and
US Experience**

DONAU-UNIVERSITÄT
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The logo of Donau-Universität Krems, featuring a stylized white 'D' with a small star inside, set against a green background.

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CONFERENCE PROCEEDINGS



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PREFACE

On the occasion of the 70th anniversary of the European Recovery Program – better known as Marshall Plan – the governments of the United States of America and Austria signed a Memorandum of Understanding (MoU) to strengthen their relationship. The Austrian Marshall Plan Foundation was commissioned to manage the implementation of the MoU. The Austrian Marshall Plan Foundation was created on the fiftieth anniversary of the European Recovery Program, which had been initiated by American Secretary of State George C. Marshall in 1947. It is a non-profit, non-partisan endowment and its activities extend across Austria and the US. **The aim of the Austrian Marshall Plan Foundation is a transfer of knowledge between the USA and Austria and to foster transatlantic excellence.**

The most important part of this MoU was the implementation of several exchange programs including an exchange in the area of vocational training. The activities in this field are supported by a scholarly exchange and discussion of the different vocational systems in the U.S. and Europe. The goal is to gain insights in how other countries handle this challenge and to learn from each other. **One important pillar of this exchange was a conference in Davis, CA, in 2019.** The focus of the conference was on the impact of rapid technological change on working conditions and the implications for low-skilled migrants. The question was to what extent vocational education and training programs can support migrants to raise their skills and open up employment opportunities in the digital era. We are more than happy that the outcome of this conference is published in this book and we want to thank all the authors who contributed to this publication.

Europe and the US are similar but different, including in immigration patterns and integration policies. Most European countries are reluctant

countries of immigration in the sense that they have a large share of foreign-born residents and workers, but were not founded as immigrant societies that welcomed and integrated newcomers. The US, by contrast, believes in the motto “e pluribus unum”, from many one, expressing the conviction that immigrants from many countries can be integrated into Americans.

During the 1960s, many European countries welcomed guest workers who were expected to return to their countries of origin after several years of employment at higher wages than at home. The US, by contrast, changed its immigration preference system in 1965 to favor unifying families rather than giving preference to citizens of Western Europe, and admitted immigrants with the right to change employers rather than guest workers tied to one employer. Many of the guest workers in Western Europe formed or unified their families in the 1980s as the US added guest worker programs to its immigration system.

Immigration continued during the 1990s and in the 21st century. New arrivals included family migrants, foreigners selected by employers to fill jobs, and asylum seekers and refugees. The growing volume and complexity of migration flows prompted different policy responses. Many European countries developed policies to promote the integration of newcomers and their families into relatively egalitarian societies, while the US expected newcomers and their families to integrate without the assistance of government programs.

The influx of large numbers of refugees into Europe in 2015-16 added a new dimension and urgency to the challenge of integrating newcomers. Most of the Syrian and other asylum seekers were relatively low-skilled, posing new integration challenges. In the US, migrants from Mexico and Central America, most with little schooling, arrived illegally and as asylum seekers, testing the capacity of immigration and integration systems.

This book provides an assessment of the challenges and opportunities posed by newcomers with little education and few skills in an era of rapid technical progress, globalization and demographic change. European and

American experts examined the status of low-skilled foreign-born workers on both sides of the Atlantic and the policies to integrate them into work, many of them involving on the job education and training. The chapters were written before the outbreak of Covid-19, and do not reflect the impacts of lockdowns aimed at slowing the spread of the virus on the employment or training of newcomers. Accordingly, we added a chapter on the consequences of Covid- 19 for low-skill migrants.

We are grateful to the Austrian Marshall Plan Foundation for the support of this project.

Gudrun Biffi, Philip Martin and Markus Schweiger

EDITORS' INTRODUCTION

Many of the migrants arriving in the European Union countries and the US over the past two decades have been low skilled, defined as persons with a secondary school education or less. How are these newcomers integrating into their new economies and societies? What changes in government policies, employer strategies, and public attitudes would speed mutually beneficial integration?

There appears to be a marked difference in attitudes and policies toward low-skilled newcomers across the Atlantic. Americans expect low-skilled migrants, including unauthorized foreigners, refugees, and family members sponsored by their US relatives, to find jobs and become self-supporting with minimal government assistance. Fears that too many unauthorized and legal immigrants were coming to the US for a “hand out” of welfare benefits rather than a “hand up” the job ladder to higher wages led to the enactment of several laws in 1996 that restricted the access of newcomers to federal tax-supported safety net programs.

The US considers itself to be a land of opportunity, and abounds with stories of newcomers who arrive with little and become successful. Upward mobility is typically self-directed, as migrants work hard and take advantage of opportunities. Most low-skilled migrants soon realize that learning English is a key to upward mobility, and some take advantage of the training offered by employers, public agencies, and NGOs to learn English and acquire skills, often while also working in low-level jobs. In many cases, upward mobility for low-skilled adult immigrants comes in the second and third generations, as migrant children educated in the US achieve far higher incomes than their parents.

EU countries with lower levels of economic inequality and smaller informal and low-wage labor markets have different policies and expectations. Newcomers often lack the language and skills needed to be

hired into jobs that offer median wages and benefits. Since there are fewer jobs in the easy-entry farm, construction, and janitorial sectors, and because of policies that aim to avoid the creation of a large and easy-entry labor market for low-skilled workers, EU countries such as Austria and Germany offer newcomers language and skills training to make them more attractive to employers at prevailing wages.

Several metaphors capture transatlantic differences in policies toward low-skilled newcomers. The worst thing that a newcomer can do in all societies is commit a crime, but the second-worst thing in the US is to accept social welfare. By contrast, some Europeans fear that newcomers may take “good” jobs that should go to natives. The US considers employment at low wages sufficient for upward mobility of low-skilled newcomers from poorer countries, while many EU countries try to bring low-skilled newcomers up to average workforce skill levels before they begin to work to avoid creating an underclass.

There are also transatlantic differences in outcomes. The US is characterized by high labor force participation rates (LFPRs) and low unemployment rates for foreign-born workers, in part because of policies that aim to keep newcomers away from welfare programs. Low-skilled newcomers in EU countries, by contrast, often have lower LFPRs and higher unemployment rates than natives. The US gets low-skilled newcomers into jobs, but many lack the skills necessary to climb the job ladder. EU countries provide low-skilled newcomers with education and training, but may not get all of them into jobs.

Foreign-born Workers: Europe

The EU28 had a labor force of 241 million in 2018, of which 33 million or 14% were foreign born workers. The share of the foreign born in the labor force differs greatly between the EU-member states, from less than 1% of the labor force in Poland to 22% in Austria and Sweden, closely followed by Germany with 19%, the United Kingdom and Spain with 18%, and Italy and France with 15% and 13%. The source countries of migrants reflect different immigration policies and histories. In addition, the

fundamental right of EU citizens to free movement within the EU contributed to substantial intra-EU migration, largely from the Central and Eastern European member states to Western, Southern and Northern European countries.

The 73.8% LFPR of migrants in 2018 did not differ much from 73.7% for natives in the EU-28. There were significant differences between mobile EU citizens and migrants from outside the EU. Intra-EU migrants had a LFPR of 79.5%, higher than natives, while non-EU citizens, so-called third country migrants, had a LFPR of 71.1%. The variance in LFPRs between citizens and foreigners varied by country. In Austria in 2018, the LFPR of foreigners at 75.1 percent was less than the 77.3 percent rate of natives; the LFPR of EU-migrants was 79.4%, versus 71.8% for third country citizens. Similarly, in Germany in 2018, the foreigner LFPR of 73.9 percent was less than the 80 percent of natives, while the LFPR of EU migrants (81.7%) was higher than the 69.3% rate of third country citizens. In contrast, in Sweden the LFPR of natives was 84.1%, closely followed by mobile EU citizens with 83.7%, and 77.6% for third country citizens.

Unemployment rates of the foreign born are higher than those of natives. In the EU28, the unemployment rate of the foreign born was 10.5% in 2018, versus 6.4% of natives. In Austria, the unemployment rate of the foreign born was 9.4%, versus 3.7% for natives, and there was a similar pattern in Germany, 6% and 2.9%, and Sweden, 15.7% and 3.9%.

In 2018, 17.1% of all employees, some 38 million people, were low-skilled workers in the EU28. The EU member states with the lowest shares of low-skilled workers in total employment were the new Central and Eastern European countries with shares between 3.7% in Lithuania and 11.1% in Bulgaria; Romania has the highest share of low-skilled workers among that group of countries with 17.3%, the EU28 average. The countries with the highest shares of low-skilled workers in employment are in Southern Europe; Portugal is taking the lead with 43.8%, followed by Malta (36.2%) and Spain (33%).

In most countries, the share of low-skilled migrants in total migrant employment is higher than the share of low-skilled native born in the employment of natives. Exceptions are Portugal in the South of Europe (33.5% vs 48.8%), the UK (13.7% vs 17.7%) and many of the Central and Eastern European EU-Member States, as the majority of migrants are in the upper skill segments.

Foreign-born workers are found in a wide range of occupations that reflect increasing economic integration and regional specialization in the production of particular goods and services. Low-skilled migrants, mostly from outside the EU, tend to complement native workers in elementary occupations such as plant and machine operators and assemblers, in services and sales, and in agriculture and fisheries.

Foreign-born Workers: USA

The US had 28.2 million foreign-born workers in its 162-million strong US labor force in 2018, making migrants 17.4 percent of US workers. Foreign-born men have higher labor force participation rates than US-born men, 78 percent compared to 67 percent in 2018, while foreign-born women have a lower participation rate, 54 percent compared to 58 percent for US-born women.¹ About half of foreign-born workers were Hispanic, and a quarter were Asians.

The unemployment rate of foreign-born workers in 2018 averaged 3.5 percent, compared to 4.0 percent for the US-born; the unemployment rate of the foreign-born men was even lower at 3.0 percent. For all racial and ethnic groups, foreign-born workers had lower unemployment rates than similar US-born workers. For example, 3.8 percent of foreign-born Hispanics were jobless in 2018, compared to 5.5 percent of US-born Hispanics.

Over 21 percent of foreign-born workers did not complete high school, compared with four percent of US-born workers. About 37 percent of foreign-born workers, and 41 percent of US-born workers, had college degrees. Foreign-born Hispanics with less than a high school education were much more likely to be in the labor force than similar US-born

Hispanics: 63 percent of foreign-born Hispanics without high school diplomas were in the labor force in 2018, compared to 46 percent of US-born Hispanics.

The foreign-born are concentrated in particular occupations, often agriculture, construction and services. Two percent of foreign-born men, compared to 0.8 percent of US-born men, were in farming occupations. Similarly, 16 percent of foreign-born men, compared to 8.3 percent of US-born men, were in construction occupations. Among women, 10 percent of foreign-born women, compared to two percent of US-born women, were in cleaning and maintenance occupations.

The median earnings of foreign-born workers, \$758 a week, were 20 percent lower than for US-born workers, \$910 a week. The gap in earnings was larger for foreign-born men than for foreign-born women, who earned 84 percent as much as US-born women. Similarly, the earnings gap was larger for older workers: foreign-born workers 55 and older earned 75 percent as much as similar US-born workers, while foreign-born workers 25-34 earned 92 percent as much as similar US-born workers.

The gap between the earnings of foreign-born and US-born workers reverses as education rises. Foreign-born workers with less than a high-school education earned an average \$535 a week in 2018, compared to \$578 a week for similar US-born workers. However, foreign-born workers with college degrees averaged \$1,362 a week, four percent more than the \$1,309 a week for college-educated US-born workers.

Changing Jobs and Workers

Low-skilled newcomers are arriving in fast-changing labor markets. On both sides of the Atlantic, employment in agriculture and industry is stable or shrinking, meaning that almost all job growth is in services. The most recent EU-projections by Cedefop-Eurofound covering 2017-2030 indicate that the overall labor force will increase only slightly (+1%) in the EU28 plus 3 (Norway, Switzerland and Iceland) between 2016 and 2030, but will exhibit large variations between the EU-Member States (EU-MS). (Cedefop & Eurofound, 2018) Many Central and Eastern European countries as well

as some EU-MS in the South-East will experience labor force and employment declines driven by population ageing and outward migration, while most Nordic and Western European countries will experience increases. It is the services sector which will drive employment growth while basic manufacturing employment is expected to decline. Significant growth in employment is expected for high-skill occupations (managers, professionals and associate professionals), together with some growth for less skilled jobs in sales, security, cleaning, catering and caring occupations. Job losses are projected in medium-skill occupations, such as skilled manual workers (especially in agriculture) and for clerks, as well as many elementary tasks. These changes result from a changing sectoral and occupational mix, partly driven by technological innovation. The Eurofound analysis suggests an increase in job polarization, a shift towards more autonomy, less routine, more information and communication technology (ICT), fewer physical tasks, and more social and intellectual tasks over the forecast period.

The most recent US projections covering 2018-28 expect employment growth of nine million, including half in five occupations, healthcare practitioners, food service, personal care, healthcare support, and education and training. Three of these five growth occupations hire large numbers of low-skilled migrants, viz, food service, personal care, and healthcare support.

Europe

The OECD is the leading institution generating comparative data and conducting comparative studies of employment and migration in industrial countries. Its pioneering work in two areas, economic globalization and the future of work, highlights the interactions of low-skilled migrant workers and jobs. (Spielvogel & Meghnagi, 2018)

The OECD Employment Outlook 2019 called digitalization, globalization and demographic change the three major megatrends reshaping industrial country labor markets, with a seventh of jobs susceptible to automation within two decades and another third of current jobs “likely to change

radically as individual tasks are automated.” (OECD, 2019: 15) Many of the jobs at risk of disappearing or changing employ low- and middleskill workers who have few savings and little access to “social protection, lifelong learning and collective bargaining” (OECD, 2019: 19) to help them to anticipate and adjust to disruptive labor market changes.

The OECD cites worse labor market outcomes of young workers without postsecondary schooling, inadequate employment protections as more workers switch from employee to impendent contractor status, and few unions representing the most vulnerable low-skilled workers. The OECD calls on governments to ensure that workers have access to lifelong learning opportunities that ease transitions between jobs and to revise social protection systems to ensure that workers in new forms of employment are protected.

The OECD (2019: 2.1.4) noted that over five million migrants settled in OECD countries in 2017, when there were four million temporary migrant workers and three million foreign students in OECD countries. Migrant workers help overcome skills shortages but are often in low-skilled jobs that could be automated.²

USA and California

The US economy and labor market are very strong after a decade-long expansion. The US unemployment rate was below four percent in 2019, as steady job growth continued, and hit a 50-year low of 3.5 percent in September 2019. Employers continued to add jobs, although ever more workers are employed by staffing firms, have uncertain schedules or are laid off after projects end, or are considered independent contractors. Inequality is rising, as the already wealthy and the best-educated capture an increasing share of income and wealth.

The slowdown in unauthorized Mexico-US migration since the 2008-09 recession, rising minimum wages in the states with most workers such as California, where the minimum wage is \$12 an hour in 2019, and movements such as fight for 15 that urge a \$15 an hour minimum wage have put upward pressure on the wages of low-skill workers and forcing

adaptations in low wage sectors such as restaurants and hotels that have high shares of immigrants and high worker turnover. A third of workers in restaurants and hotels are immigrants, almost double the immigrant share of US workers.

Almost 11 million workers were hired by restaurants and hotels in 2018, while 7.5 million restaurant and hotel workers quit their jobs. Hourly restaurant wages were almost \$15 an hour including tips in May 2019, the highest restaurant wage on record. Restaurant wages rose in part because of the \$15 an hour wage instituted by Amazon for its employees.

Employment and Training Programs

The US has an immigrant integration-via-work policy based on flexible labor markets and a relatively thin social safety net whose benefits are normally off limits to unauthorized foreigners and legal immigrants until they have worked in the US at least 10 years. A common saying, for both immigrants and natives, is that upward mobility in the US is achieved in an ABC fashion, meaning that A job leads to a Better job leads to a Career.

California has embraced market-oriented training and retraining programs, turning welfare-dispensing offices into employment assistance centers.

Automation Challenges

Artificial intelligence (AI) involves machines that can mimic human minds to learn and solve problems and to move and manipulate objects. First-wave machines eliminated difficult work, such as tractors pulling plows or cranes lifting containers. Machines are evolving to do more sophisticated work, as with self-driving tractors and robots in automated warehouses.

Most industrial robots do not use AI. Instead, they perform a repetitive task, such as welding auto parts into cars. AI machines that learn over time by collecting and processing data are doing more of the work in structured and predictable environments such as factories. Intelligent systems that use machine learning to adaptively adjust to new information are

spreading due to the explosion of computing power and the increase in data availability.

AI machines and systems are likely to spread, changing jobs that range from tax preparation to medical diagnoses. AI is poised to eliminate jobs but not work, since the increased output made possible by AI should create demands for new services and jobs. However, there may be more labor market churn, with ever-fewer workers employed in one occupation for one employer over a lifetime.

Governor Gavin Newsom in May 2019 announced the creation of a future of work commission to consider state responses to automation that increases churn in labor markets and deal with the insecurity associated with the independent contractors engaged in app-based work. The workforce training and retraining system has evolved over the past half century in response to changing labor markets, becoming more attuned to the skills needed by employers so that workers who learn skills required by employers can quickly find jobs that use these skills.

Low-Skilled Migrants and Jobs

The first point of contact for most of the low-skilled migrants arriving in EU member states in recent years has been a government agency that registers newcomers and sends them to cities where local governments provide housing and other services while their asylum applications are considered. After dealing with agencies that determine whether an individual is entitled to refugee or a temporary protected status, migrants are passed on to agencies that provide language and skills training before encountering agencies that help workers to find jobs.

There are many benefits to government-directed immigrant-integration policies and programs, overcoming individual educational and skills deficiencies that should make workers more productive when they find jobs in their new home countries. There are also disadvantages, including the risk that newcomers may become accustomed to receiving government services, making them reluctant to seek or accept the jobs available to them, especially if the job requires hard work and unsocial hours.

Managing the transition from tax-free services to paying taxes on earnings from work could be a major challenge (Aiyar, 2016).

In California and the US there are fewer concerns about getting migrants into jobs and more worries about working-poor migrants. Most newcomers find jobs in less-regulated US labor markets, but many do not earn enough to lift their families above the poverty line of \$24,300 for a family of four in 2016. A worker employed full time (2,000 hours a year) at the federal minimum wage of \$7.25 an hour earns \$14,500 a year, and a worker employed in higher wage California, where the state minimum wage was \$10 an hour in 2016, earns \$20,000. However, since health insurance and pensions are often linked to work, employers of low-skilled migrants may offer limited or no work-related benefits.

Austria

Austria experienced three waves of significant net immigration since the early 1980s; the first in the mid to late 1980s, a consequence of democratization developments in Central and Eastern European Countries (CEECs) - culminating in the fall of the Iron Curtain, and the demise of former Yugoslavia in the early 1990s. Many of the migrants were medium to low-skilled refugees. The second wave of immigration set in towards the end of the 1990s as a result of Austria's membership in the EU in 1995 and the stepwise opening of migration to citizens from the CEECs as they became members of the EU (2004 and 2007). The third wave of immigration set in in 2011 at the end of transition regulations for migrants from the EU-8 (Poland, Czech Republic, Slovakia, the Baltic States, Hungary, Slovenia) but gained momentum with the unprecedented refugee inflows from the Middle and Far East (Syria, Iraq, Iran, Afghanistan). While the majority of migrants from the CEECs were skilled or highly skilled, this was not the case for refugees between 2014 and today. In order to facilitate their integration, Austria invested heavily in further education and training programs.

The latest wave of refugee inflows triggered the development of new concepts for further education and training. The main assumption of the

initiatives was that successful, long-term integration of refugees could best be achieved by vocational education and training (VET) measures. The goal was to provide facilities for the attainment of formal qualifications. The starting point was the identification and validation of skills acquired abroad, to provide a basis for further education and training towards the achievement of professional qualifications in specific occupations. This meant that the education and training approach had a medium-to long-term perspective to ensure sustainable employment and career prospects rather than the quick insertion into any type of job. This is due to the understanding that individuals with a low educational attainment level have poor job prospects and a high risk of unemployment. Therefore, the aim was to offer a comprehensive professional qualification – be it in a full-time school-based setting (vocational schools and vocational colleges), in the dual system (work-based apprenticeship in combination with vocational schools), or in adult further education centers.

These initiatives are important in their own right as they open up employment and career prospects for low- and medium-skilled migrants and refugees. At the same time the supply of skilled labor is raised, thus compensating for the declining numbers of youth in this medium skill education stream. The latter is a consequence of demographic change with the baby-slump generation entering this age group, in combination with the general trend towards higher education. The combination of an educational policy with an integration strategy is based on the belief that societal cohesion and economic growth are better served by these initiatives than by a laissez-faire policy which leaves it up to the individual to fend for himself in an era of rapid economic and technological change.

Germany

Germany received 1.6 million applications for asylum between 2015 and 2018, over 40 percent of all asylum applications filed in the EU-28 member states over this period. At the end of 2018, there were 1.8 million asylum applicants and refugees, most of whom are likely to stay in Germany.