

ECONOMIC POLICY AND ITS IMPACT

**Ukraine Refugees:
From Temporary Protection to
Encouraging Return to Support
the Ukrainian Economy**

*Yuriy Gorodnichenko and
Daniel Gros*

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**Tax Audits and Their Effects
on Tax Compliance**

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BIG-DATA-BASED ECONOMIC INSIGHTS

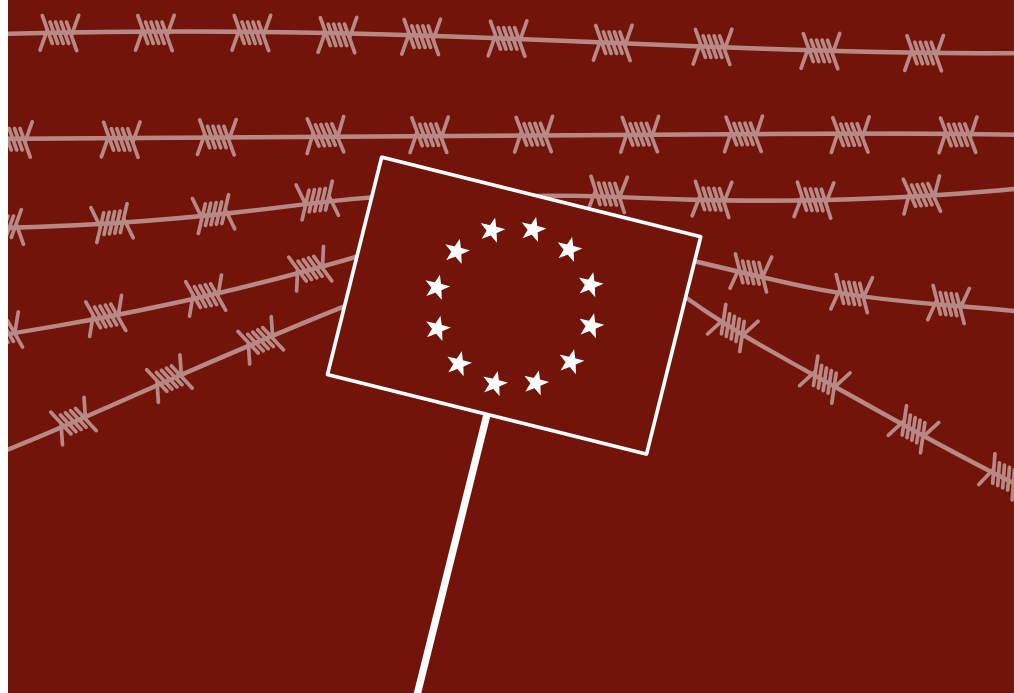
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Wichert*

POLICY DEBATE OF THE HOUR

A New Common Migration Policy for the EU – Why and How?

*Panu Poutvaara, Matthias Lücke, Angelo Martelli, Eugenia Vella,
Eiko Thielemann, Florian Bartholomae, Chang Woon Nam and
Alina Schoenberg, Jeroen Doomernik, Piotr Lewandowski*



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The unfair distribution of responsibility for asylum seekers between EU member states under the “Dublin system” has long been a bone of contention in the Common European Asylum System. In April 2024, the EU Parliament approved the controversial migration and asylum package after lengthy negotiations. The rules for illegal immigrants in particular were significantly tightened. However, a balanced and comprehensive migration concept must address very different objectives: EU member states not only want to prevent irregular migration, but also recruit highly skilled workers. The protection of human rights is paramount. In a single market with freedom of movement, it is necessary to go beyond the 27 national immigration policies. A common European migration policy can make immigration rules simpler, less bureaucratic and more transparent for immigrants and the relevant authorities. In addition, a coordinated approach enables better access to education, language courses and employment opportunities for migrants. This facilitates their integration into the European labor market and their social inclusion.

The authors of this issue of EconPol Forum shed light on why the results of the EU’s migration policy to date have not yet been satisfactory and why Europe now needs a new, better coordinated policy. They make policy proposals on how the EU can improve the quality of legislation and on how more intensive European cooperation can improve the enforcement of existing regulations.

In “Economic Policy and Its Impact,” the authors propose measures to motivate Ukrainian refugees to return. They highlight how companies can be encouraged to invest in Ukraine so that the returning refugees have jobs. In “Institutions Around the World,” the authors show that tax administrations are increasingly using postal audits (correspondence audits) to audit taxpayers and compare their impact on compliance with that of face-to-face audits. In “Big-Data-Based Economic Insights,” we evaluate the impact of the 9-Euro Ticket (a low-cost, nationwide ticket for public transportation in Germany): despite its success in increasing the use of public transportation, it was not very effective in switching from cars to public transportation.



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Introduction to the Issue on

A New Common Migration Policy for the EU – Why and How?

Chang Woon Nam

Migration issues are at the top of the European Union's political agenda today. Migration can be divided into the following types: the desired and necessary immigration of skilled workers, which counteracts the shortage of qualified professionals and unfavorable demographic trends in the host country, while the less desirable immigration of less educated foreigners causes higher costs for integration into the labor market and increases the risk of burdening the social welfare system. In addition, there are refugees from conflict zones and other poor regions of the world who are seeking asylum abroad due to life-threatening political and/or economic conditions in their home countries. Now all these groups come to Europe either legally or illegally. The perception of cultural and identity threats posed by a large influx of migrants has also further strengthened nationalist sentiments and the appeal of political parties advocating stricter immigration controls, which in turn has rapidly increased support for far-right populist parties in many EU member states.

Against the backdrop of competition with other economic centers (such as the US and Japan) for highly skilled third-country nationals, EU member states are striving for a balanced and comprehensive approach to migration that pursues objectives as diverse as attracting highly skilled migrants, preventing irregular migration, and protecting the human rights of migrants. However, in a single market with free movement, it is necessary to go beyond the 27 national immigration policies. The further development of a common European migration policy, taking into account the experiences and practices of individual countries, can make immigration rules simpler, less bureaucratic, and more transparent for both immigrants and the competent authorities.

The unfair distribution of responsibility for asylum seekers between EU member states under the “Dublin system” and the lack of compliance with the rules have long been a point of contention in the Common European Asylum System. To address these shortcomings, the new Pact on Migration and Asylum introduces a binding but flexible solidarity mechanism under which member states are obliged to make contributions in the form of resettlement, financial contributions, or in-kind contributions. Despite this innovation, it remains controversial whether the measure is sufficient to compensate for the disproportionate responsibility of member states at the EU's external borders, as the country of first entry

is retained in the new Pact. A new annual migration management cycle, introduced with the Pact, provides for concrete steps to identify member states under pressure and the need for solidarity based on a comprehensive approach and assessment of migration, reception, and asylum capacities.

Further EU-wide policy coordination also seems necessary to alleviate socio-economic pressures and promote greater social cohesion in the EU and its member states. For example, coordinated action at the EU level to provide better access to education, language courses, and employment opportunities for migrants can also be crucial to facilitate their integration into the European labor market and their social inclusion.

Focusing on the current legal framework and enforcement of the EU migration and asylum system in the context of the single market, and taking into account the experiences of member states in European migration crises, the authors of this issue of EconPol Forum critically assess the reasons why the results of the EU's migration policy efforts so far have been less satisfactory and why the EU now needs a new, better coordinated policy. In this context, they also make some policy suggestions on how the EU can improve the quality of legislation, enabling more intensive European cooperation to enhance enforcement performance and leading to a sustainable long-term migration policy and governance in the EU.

Panu Poutvaara believes that the EU's “mobility partnership” agreements with countries of origin and transit create synergies by jointly addressing the challenges caused by immigration. It is efficient to let member states decide for themselves how many low-skilled work visas they want to grant to applicants from each partner country, taking into account their own labor market needs, while the main policy issue in high-skilled immigration is to make Europe sufficiently attractive compared to alternative destination countries. Financial support for countries that accept more than their share of asylum seekers is justified on the grounds of both fairness and efficiency. In addition, support for the resettlement and integration of refugees should be combined with efforts to reduce irregular migration by opening legal pathways to work in Europe, including for low-skilled migrants.

Many people around the world are moving to the EU for various reasons, including persecution in their home country and better economic prospects in the EU (“mixed” migration). Without restrictions, far more

people would migrate to the EU than the EU is able or willing to accept. The EU must therefore ensure that persecuted people have access to protection, while at the same time limiting mixed migration to the EU. *Matthias Lücke* suggests that one way to achieve this is for the EU to provide financial and political support for the reception and accommodation of refugees and migrants along migration routes, while partner countries restrict people smuggling and irregular onward movement. Better responsibility-sharing among EU member states could require a stronger financial and operational role for the EU in the asylum system, as refugee protection and open borders in the EU serve the public good.

Angelo Martelli points out that security is the main concern of citizens in destination countries, who feel threatened by migrants and refugees. They often call on their leaders to regain control by erecting barriers and closing borders. At present, not only is there a prolonged failure to move from crisis management to sustainable global governance of migration, but there is also a need to move beyond the lump of labor fallacy and emphasize the net contribution of migration through improved integration and social cohesion. Consequently, a successful migration strategy must be multilayered and address both the causes of displacement and the impact on displaced persons and host communities.

To make a common migration policy feasible, *Eugenia Vella* argues that the EU must address the economic and social inequalities that divide its member states. Success depends on striking a balance between national sovereignty, economic inequality, and solidarity, while ensuring a fair division of responsibility within the bloc. As with fiscal integration, the realization of a common migration policy in small steps is more realistic. Failure to act risks exacerbating labor shortages, economic stagnation, and social fragmentation. On the other hand, adopting a bold and unified migration strategy would enable the EU to fully exploit the potential of migration to promote prosperity and cohesion.

For *Eiko Thielemann*, refugee protection in Europe is characterized by free-riding and a highly unequal distribution of responsibilities between EU member states, which has persisted over the past 30 years and during the three major refugee crises (Yugoslavia, Syria, Ukraine) despite EU solidarity initiatives. The effectiveness of such initiatives has remained limited as the EU has struggled to develop policies that go beyond voluntary (and often symbolic) responsibil-

ity-sharing initiatives. To become more effective in addressing refugee disparities, the EU should seek to develop more substantive (market-oriented and binding) solidarity initiatives than it does in its recently adopted European Pact on Migration and Asylum.

According to *Florian Bartholomae*, *Chang Woon Nam* and *Alina Schoenberg*, a fairer distribution of refugees among EU member states can optimize labor markets, promote social cohesion, and reduce populist sentiment in the EU if the age and educational level of refugees are taken into account. Current models for refugee distribution often do not meet the needs of host countries, and the inclusion of differentiated indicators such as age, education level, and social resistance can improve fairness and efficiency. While favoring younger and educated refugees can improve integration outcomes, this approach must be reconciled with humanitarian principles to maintain ethical standards in refugee policy.

Jeroen Doornik postulates that it is unwise and unproductive to issue asylum regulations that do not fully take into account the resources and ambitions of refugees. The 2016 Asylum and Migration Management Regulation (AMMR) does not solve the main problem, and the responsibility lies with the country of first arrival. The new accelerated border regime at the EU's external borders is likely to fail or lead to serious human rights problems. It would be desirable to use the experience of the Temporary Protection Directive (TPD) and its free movement for Ukrainian refugees as best practice, and recognized refugees should ideally have the same free movement as EU citizens.

In the draft migration strategy recently presented by the Polish government, migration issues are largely viewed from the perspective of regaining control and ensuring security, as *Piotr Lewandowski* explains. Poland's emphasis on national sovereignty and the drawing of strong cultural boundaries has long dominated the Polish government's narrative on migration. The challenges faced by Poland in integrating Ukrainian refugees into the labor market, such as the downgrading of professions and the non-recognition of qualifications, illustrate the risks of unequal integration frameworks in EU member states. A coordinated EU policy could eliminate these inequalities by facilitating the recognition of qualifications, supporting the placement of qualified jobs, and standardizing access to integration services such as language courses.

We hope you enjoy this Policy Debate of the Hour!

Panu Poutvaara

Does the EU Need a Common Immigration and Asylum Policy?

The most important achievement of the European Union (EU) is its common market, allowing for free mobility of goods, services, people, and capital between member states. A common market requires common border policies. In the area of goods and services, this is uncontested. The EU is a customs union, and trade policy is determined at the European level. This is necessary since if individual member states were allowed to deviate from common import regulations or customs duties, this would undermine the common market by creating a backdoor for entry to more restrictive member states through member states willing to pursue lower standards or customs duties. Therefore, it is appropriate that customs duties are collected by the European Union, not by the member states through which goods and services enter. This raises a question: should something similar take place when it comes to immigration? Given that immigrants are also able to move within the EU, is there a case for a common European immigration policy? Or does much lower mobility of people than goods and services make this unnecessary or even undesirable?

European immigration and integration policies are striving for a balance between harmonization (federal decisions) and subsidiarity (member-state-level decisions). When it comes to labor migration from outside the EU, the member states have wide discretion on whom to admit to their country. However, there are also common guidelines at the European level. Directives like the Blue Card Directive aim to attract highly skilled workers to the EU, independent of which member state they go to. The EU also has common provisions for family reunification to ensure that migrants can bring immediate family members under certain conditions. When it comes to humanitarian migration, the EU establishes common minimum standards and aims to coordinate resettlement efforts, but on a voluntary basis. Finally, the EU pursues common border policies to prevent irregular migration.

MANAGING SKILLED IMMIGRATION¹

The Blue Card Directive was introduced in 2009. Its aim is to make the EU more competitive as a destination for global talent by providing a streamlined and uniform system for admitting highly skilled workers across EU member states. To qualify for a Blue Card, applicants must hold a higher education qualification

¹ This section relies heavily on https://immigration-portal.ec.europa.eu/eu-blue-card/essential-information_en and links therein.

KEY MESSAGES

- **The main challenge in high-skilled immigration is to make Europe sufficiently attractive**
- **Employers should be trusted to evaluate who is qualified to work in non-regulated professions**
- **Migration Partnerships ease low-skilled labor migration and help combat irregular migration**
- **Distributing asylum seekers to less welcoming countries could backfire and trap them in poverty**
- **Instead, the EU should develop a matching mechanism for asylum seekers and host countries**

(e. g., a university degree) or possess at least five years of professional experience in a relevant field. They also must have a valid job offer or employment contract in an EU country lasting at least six months. This job offer must meet a minimum salary threshold set by the host country, typically at least 1 to 1.5 times the average gross annual salary in that country.

The Blue Card Directive was revised in 2021 to make it accessible to a wider range of skilled migrants in order to address skill shortages and challenges arising from population aging across the EU. Salary thresholds have been reduced and procedures for issuing Blue Cards have been simplified. After the reform, highly skilled professionals without formal academic qualifications can qualify, too, based on their work experience. Blue Card holders also have increased mobility rights between member states and can have work periods across the EU recognized for long-term residency eligibility. This is an important improvement over restarting the count for the length of stay qualifying for permanent residency after any move between two member states, as this imposes a significant additional mobility cost. To support start-ups and small and medium-sized enterprises, the reform also eased requirements for employers in smaller companies to hire Blue Card holders.

MANAGING LOW-SKILLED IMMIGRATION

The European Union and its member states have in recent years increasingly opened ways for legal labor migration also to low-skilled workers and to seasonal workers, especially in agriculture. The EU has also

negotiated Mobility Partnerships with several countries, pioneered by agreements with Ukraine (2007), Moldova (2008), and Georgia (2009). The aim of these partnerships is to enhance legal migration pathways and strengthen cooperation on return and readmission of irregular migrants.² Subsequently, the EU has agreed Mobility Partnerships also with many African and Middle Eastern countries, like Morocco, Tunisia, and Jordan.³

Germany's West Balkan Regulation allows an annual quota of citizens of Albania, Bosnia-Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia to apply for a German work visa, provided that they have not received any payments as asylum seekers during the previous 24 months.⁴ It was a success story: the number of asylum seekers from these countries was reduced significantly after the legal pathway was opened. The quota was doubled to 50,000 in 2024 and involves a lottery for visa appointments to manage overdemand.⁵ This regulation could serve as a framework for other EU member states, to complement union-wide programs. Furthermore, such work visas could be granted jointly to a coalition of welcoming countries. This would allow more efficient matching between low-skilled migrants and jobs and, at the same time, allow those countries that do not welcome low-skilled work migrants to opt out.

RECOGNIZING QUALIFICATIONS

Overall, European regulations concerning skilled migration strike a good balance between common European interests and the diverging preferences of EU member states. Member states that want to have more skilled migration can set a lower salary threshold for the EU Blue Card, while those with higher unemployment that are more concerned about the potential negative effects of additional immigration on the native workforce can set a higher threshold. The biggest regulatory challenge in terms of immigration of skilled workers is the recognition of their qualifications, as well as evaluating what counts as qualified employment for those who apply based on professional work experience in their field.

When it comes to regulated professions like medical doctors and nurses, it is crucial that qualifications are quality checked, but there are big differences in how efficient the process can be. In Germany, for example, recognizing nursing qualifications is a state-level decision, leading to a situation in which nurses graduating from the same course in a non-EU country but having job offers from different states have

their qualifications evaluated by each state. This is an inefficient use of administrative resources, further increasing waiting times. An efficient solution would be to have the applications pooled and evaluated together. Furthermore, it would be desirable to carefully consider for which professions formal approval of qualifications is needed. For medical professionals, electricians, and other occupations in which a lack of proper knowledge can have fatal consequences, regulation is surely needed. In other professions, like being a baker, it would be more efficient to let the employer evaluate the qualifications than to have a governmental authority evaluate whether the applicant has sufficient job experience, especially as verifying the documentation to prove this can be impossible.

MANAGING HUMANITARIAN IMMIGRATION

The case for a common EU policy is strongest when it comes to humanitarian immigration and border control. Border control is a classic example of a public good: all EU countries benefit from border controls, which is why it is justified that countries that are not entry points for irregular migrants also participate in financing the cost of border controls at the EU's external borders. This is the main motivation behind the European Border and Coast Guard Agency, FRONTEX, whose mission is to support EU member states and non-EU countries that are part of the Schengen area in managing the EU's external borders and in fighting cross-border crime. Most of the support is provided in the Mediterranean, where most irregular arrivals take place. However, providing asylum to qualified applicants is also a global public good. When one country provides asylum to a refugee, this benefits not only that refugee but also other countries that care about alleviating the global refugee crisis, whether for altruistic motives toward refugees, or for political reasons, or both.

To see how providing asylum for qualified applicants can be seen as a private provision of a global public good, assume first a counterfactual situation in which each country can freely decide how many refugees it provides asylum for, and that there is a set of safe countries that agree on who qualifies as a refugee. In a decentralized equilibrium, it is in the interest of every country to equalize its marginal cost of hosting one more refugee with its marginal benefit of reducing the global number of refugees by one person. From a global efficiency perspective, instead, it would be efficient for countries hosting refugees to accept refugees to the extent that their marginal costs of hosting refugees would equal the global marginal benefit of providing one more refugee asylum in a participating host country. Also, the marginal costs of hosting refugees would be equalized between participating countries, with compensation payments to those taking a bigger share of refugees. The globally efficient solution would lead to many more refugees

² https://home-affairs.ec.europa.eu/policies/international-affairs/collaboration-countries/eastern-partnership/mobility-partnerships-visa-facilitation-and-readmission-agreements_en.

³ https://home-affairs.ec.europa.eu/policies/international-affairs/collaboration-countries/southern-mediterranean_en.

⁴ <https://www.arbeitsagentur.de/unternehmen/arbeitskraefte/fachkraefte-ausland/westbalkanregelung>.

⁵ <https://www.germany-visa.org/news/germany-to-double-annual-work-visa-quota-for-western-balkans-from-june-1/>.

obtaining asylum than the decentralized solution in which each country makes its own decisions.

Achieving a globally optimal solution is complicated, however. First, countries may differ in their private valuation of helping a refugee to find asylum in safety. If they do, they have an incentive to understate their valuation to reduce the expected contribution they would have to provide. Second, countries may differ in their views on who qualifies for asylum. Third, countries differ in their preferences on whom among the qualified refugees to host. Fourth, countries differ in the policies they pursue to integrate the refugees they take in.

To address the first two challenges, the 1951 Refugee Convention defines who qualifies as a refugee and formalizes their rights as well as the responsibilities of countries that grant asylum. The EU has complemented this framework by creating the Common European Asylum System (CEAS). It establishes standards for the treatment of asylum seekers, setting minimum conditions regarding the asylum application process and how to accommodate asylum seekers. Establishing minimum standards for the asylum process can also help with refugee integration. This still leaves the third and the fourth challenge. CEAS also somewhat addresses the fourth challenge by establishing minimum standards but leaves the third challenge unanswered.

For an example of how establishing common minimum standards on the treatment of asylum seekers impacts the subsequent integration of those refugees who are allowed to stay, consider experience with employment bans that prevent asylum seekers from entering the local labor market upon arrival. Fasani et al. (2021) collected data on employment restrictions across 19 European countries over time, alongside individual data on refugees who arrived in European countries from 1985 to 2012, to investigate the effects of employment bans. Their causal identification is based on staggered implementation and removal of the bans. They find that refugees who experienced a ban upon arrival were considerably less likely to be employed during the post-ban period. Marbach et al. (2018) leverage a natural experiment in Germany, where a court ruling resulted in a shorter employment ban. Longer employment bans considerably slowed down the economic integration of refugees.

MATCHING REFUGEES AND HOST COUNTRIES

During the Syrian Civil War, Poland and other Eastern European member states were often criticized for being reluctant to take refugees from Syria or other majority Muslim countries. The situation has been dramatically different with Ukrainian refugees, with Poland being initially the main host country, ahead of the much bigger Germany. Although the number of Ukrainian refugees in Germany now exceeds the number in Poland, Poland hosts still considerably

more relative to its population. Many other Eastern European member states also take more Ukrainian refugees relative to their population than Western European member states. Partly, this reflects much closer cultural and linguistic proximity with Ukraine, giving Ukrainian refugees better integration prospects than refugees from majority Muslim countries who speak a language that differs greatly from the host country's language.

Trying to maintain a higher share of refugees from Muslim countries in Eastern European member states reluctant to host them would require then overruling both refugees' preferences and those of host countries. An alternative is suggested by Fernández-Huertás Moraga and Rapoport (2015). They propose a market for tradable quotas on both refugees and asylum seekers between EU member states, combined with a matching mechanism linking countries' and migrants' preferences. The new EU policies on refugee resettlement establish EU-wide priorities, such as resettling refugees from specific regions or countries based on global needs and EU policy objectives. This allows member states to retain sovereignty over the number of refugees they resettle but requires them to commit to shared objectives.

ATTITUDES MATTER FOR INTEGRATION

While those that criticize Eastern European member states for welcoming Ukrainians more warmly than Syrians accuse them of discrimination based on religion, a system that tried to force the same nationality distribution of refugees in all EU countries would be inefficient. Refugees assigned to a less welcoming country would be less likely to integrate successfully and would most likely want to relocate to a more welcoming country as soon as possible. Aksoy et al. (2023) analyze the effect of local initial conditions on refugee integration in Germany, focusing on asylum seekers who arrived in Germany in 2013–2016, with Syrians, Afghans, and Iraqis being the largest groups. Their causal identification is based on random assignment of refugees into federal states. Each asylum seeker is registered upon arrival. They are then assigned to an initial reception center in one of Germany's 16 federal states, using the computerized EASY (Initial Distribution of Asylum Seekers) system. The system defines which federal state will be responsible for a given asylum seeker anonymously with the aim of allocating to each state a share of asylum seekers proportionately, such that two-thirds of asylum seekers are allocated relative to each state's share of total tax revenues and one-third according to each state's share of total population. Crucially



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for this identification, asylum seekers do not have the option of expressing a wish as to where they would like to be sent. States then distribute asylum seekers to counties, usually relative to counties' population shares.

Aksoy et al. (2023) analyze how the local unemployment rate and attitudes toward immigrants at the time of arrival influence refugees' integration outcomes. To measure native residents' sentiments toward immigrants, they use two alternative measures: geo-coded Twitter data, which provides a "negative sentiment index," and the far-right vote share. Their results show that attitudes toward immigrants are about as important as local unemployment rates in shaping refugees' integration outcomes. An increase of one standard deviation either in unemployment (corresponding to a 0.98 percentage points higher unemployment rate) or in the negative sentiment index predicts a five percentage points lower probability of refugees being employed in 2016–2018. A one percentage point increase in the far-right vote share predicts a three percentage points lower probability that refugees will subsequently be in employment or education. Importantly, these effects are also present when local unemployment rates are controlled for.

POLICY CONCLUSIONS

With aging populations, EU countries increasingly need not only high-skilled but also low-skilled immigrants. At the same time, EU countries face challenges related to humanitarian migration and irregular migration. Mobility Partnership agreements with origin and transit countries create synergies by addressing these challenges jointly. It is efficient to let member states decide themselves how many low-skilled work visas they wish to grant to applicants from each partner country, taking into account their own labor market

needs. When it comes to high-skilled migration, the main challenges relate to making the EU sufficiently attractive relative to alternative destinations.

Given that the initial conditions have such a strong effect on refugee integration outcomes within one country, as Aksoy et al. (2023) find, it is likely that the effects would be even stronger in the case of refugee location across EU member states, which differ much more from each other than German federal states. Therefore, common quotas to allocate asylum seekers across EU countries are not a good idea. Forcing asylum seekers to an unwelcoming country would risk trapping them in poverty and social isolation.

Providing financial assistance to countries that take more than their share of asylum seekers is justified on both fairness and efficiency grounds. Also, supporting the resettlement of asylum seekers in countries close to their home country is likely to be a cost-effective investment in terms of integration outcomes relative to money spent. It is also less likely to result in a populist backlash than trying to force quotas. Furthermore, support for resettlement and refugee integration should be combined with efforts to reduce irregular migration by opening legal pathways to come to work in Europe, also for low-skilled migrants.

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Matthias Lücke

Managing “Mixed” Migration to the EU: The Challenge of Sharing Responsibility to Protect Refugees in the 21st Century

IMMIGRATION GOVERNANCE IN THE EU: LABOR MIGRATION VS. REFUGEE PROTECTION

The EU’s governance of immigration by non-EU citizens distinguishes sharply between labor migration and refugee protection. It is a competence of EU member states to manage access to their labor markets (i.e., labor migration) according to their own preferences and labor market needs (Art. 79(5) TFEU). While there are EU rules regarding visa procedures and the rights of migrants (e.g., the Long-Term Residents Directive 2003/109/EC), the number of work permits – and hence the number of immigrants – is determined by each member state.¹

At first sight, this high level of individual member state control over labor migration to the EU may seem surprising given the single market and freedom of movement for EU citizens. However, non-EU citizens with a residence permit in one EU member state only become entitled to live and work in another EU member state if and when they obtain a particular long-term resident status (“Settlement Permit EU”) or become naturalized in their original member state. This is often a lengthy process and typically requires immigrants to be economically self-sufficient. Once immigrants have gone through this process, only a few move on to another member state (Neidhardt 2023).² Therefore, there is little controversy in the EU over the management of labor migration by individual EU member states and no need for fundamental reform.

By contrast, EU law sets out in detail the conditions under which member states must receive asylum seekers, process their applications, and host recog-

¹ One exception is the EU Blue Card, which gives very high-skilled workers labor market access throughout the EU, subject to various conditions (EU Blue Card Directive 2021/1883). The implicit assumption is that those who qualify for the EU Blue Card complement, rather than compete with, local workers anywhere in the EU; in this case, their presence normally has a positive economic impact on residents. Use of the EU Blue Card varies widely across EU member states; in 2023, Germany issued more than 80 percent of the EU total of just under 90,000 EU Blue Cards (Eurostat time series: migr_res-bc1).

² There is anecdotal evidence that some non-EU immigrants (including from Bangladesh) may have intentionally moved to one member state with relatively liberal rules for naturalization (Italy) in order to later move to another, more attractive member state as EU citizens (at the time, the UK; see Montagna et al. 2021).

KEY MESSAGES

- **Worldwide, many people aspire to migrate to the EU for various motives, including persecution at home and better economic prospects in the EU – hence the notion of “mixed” migration**
- **Without restrictions, far more people would migrate to the EU than the EU can or will accommodate. This is true even for individuals who would qualify for asylum in the EU**
- **Therefore, the EU should strive to ensure that persecuted individuals have access to protection (though not necessarily in the EU) while limiting mixed migration to the EU**
- **One way to do this is for the EU to provide financial and policy support for the reception and hosting of refugees and migrants along migration routes, while partner countries curb people smuggling and irregular onward movements**
- **Among EU member states, better responsibility sharing may require a stronger financial and operational EU role in the asylum system, given the public-good nature of refugee protection and open borders within the EU**

nized refugees.³ Under international and European law, everybody has the right to apply for asylum (or a similar protected status such as subsidiary protection) in (any) one EU member state. If an asylum seeker meets certain criteria, they must be recognized as a refugee. This applies even if the asylum seeker has entered the EU irregularly.⁴

Therefore, short of establishing a new Iron Curtain at the external EU border, neither individual member states nor the EU as a whole can control the num-

³ European Parliament, Fact Sheet Asylum Policy (June 2024) gives an overview over pertinent legislation: <https://www.europarl.europa.eu/factsheets/en/sheet/151/asylum-policy>.

⁴ This description cuts a long story short, arguably, to the point of oversimplification. The various incarnations of the Dublin Regulation since 1990 have sought to allocate responsibility for every asylum seeker to the EU member state where they first entered the EU. However, for many different reasons, this approach has never worked effectively in practice.

ber of asylum seekers that they receive and whose applications they must process. While not all asylum seekers are ultimately recognized as refugees, the relevant criteria are defined by international and EU law and cannot easily be manipulated to fit the perceived needs of host countries. Furthermore, for various reasons, many rejected asylum seekers never return to their countries of origin but remain in the EU.

This (inevitably) brief characterization of “asylum migration” to the EU helps to identify the key challenges that shape the current, controversial debates. Without proper legal means to limit the (often irregular) immigration of asylum seekers, several EU member states along with the European Commission have implemented restrictions whose legality under international and EU law is often contested. These restrictions range from ever higher fences at the external EU border to security cooperation with, arguably, rogue militias. At the same time, globalization has made irregular migration to Europe (and elsewhere from poor to rich countries) far cheaper and accessible to far more people – in ways that could never have been imagined when the 1951 Refugee Convention, which still underpins the international refugee protection regime, was negotiated and signed.

This raises the question of how the international governance of refugee protection can be “future-proofed” to safeguard protection without overwhelming host countries. With no prospect of a global reform, we focus on steps that the EU and its member states can take toward a more resilient system in line with humanitarian standards and with well-defined responsibilities for the actors involved.

We first consider the global context of migration aspirations that far exceed the willingness of destination countries to receive refugees. While persecution and conflict are real enough in many countries of origin, observed migrant movements reflect multiple motives and are best described as “mixed” migration. We then discuss how the EU can manage mixed migrant movements in its wider neighborhood (i. e., along irregular migration routes to Europe from Africa and the Middle East), while bearing its fair share of responsibility for protecting refugees and safeguarding the rights of migrants. Our point of departure is the ongoing reform of the Common European Asylum System (CEAS). Finally, we discuss how these global challenges affect how EU member states share responsibility for the EU asylum system.

MORAL DILEMMAS, MIXED MIGRANT MOVEMENTS, AND REFUGEE PROTECTION AS AN INTERNATIONAL PUBLIC GOOD

One (arguably) anachronistic feature of the current asylum system is that individuals must normally be present on EU territory to apply for asylum. By requiring physical presence, EU member states effectively ration access to asylum, limiting it to those who are

(relatively) rich and physically fit enough to travel irregularly, expensively, and often dangerously to the EU. This de facto rationing is hardly fair as it excludes many of the most vulnerable individuals from asylum in the EU.

At the same time, it would be practically and politically infeasible for the EU to open its external border to all asylum seekers, for example, by offering a humanitarian visa to anyone with a good prospect of being recognized as a refugee according to EU rules. The number of asylum seekers and recognized refugees would multiply way beyond the EU’s reception capacity. For example, the European Court of Justice (C-608/22) has recently decided that all female citizens of Afghanistan should automatically be granted asylum because the Taliban regime discriminates pervasively against women. Quite likely, not all 14 million women in Afghanistan (plus Afghan refugees in Pakistan and Iran who often live in precarious circumstances) would want to live in the EU, even if they could safely travel here to apply for asylum. However, several million Afghan women might well want to come to the EU if they could do so legally and safely. They would likely seek to bring along family members (including men) under the EU’s rules for family unification. In the process, they would likely overwhelm the reception capacity of EU member states, not least because many would seek out countries of asylum with particularly favorable reception conditions.

This example demonstrates the broader point that, worldwide, far more individuals are persecuted and affected by violent conflict than the EU and its member states are able and willing to receive and host. By restricting access to EU territory in many ways and thus rationing access to asylum, the EU and its member states limit the number of asylum seekers and keep the asylum system from collapsing. While there may be no politically feasible alternative, such rationing does make the promise of refugee protection in Europe ring hollow.

This conflict between an individual’s right to apply for asylum and the severe rationing of access by the EU and its member states is only one current moral dilemma in asylum policy. Another dilemma arises from the way some EU neighbors (Türkiye in 2020; Belarus and Russia since 2022) have instrumentalized migrants by facilitating their illegal border crossings into the EU, in order to apply political pressure on the EU and affected member states. The latter have pushed back by securitizing their external borders further through higher fences, better digital surveillance, etc. While such measures helped to reduce irregular immigration as intended, closing the border also, arguably, defeats the purpose of the asylum system.

Apart from such moral dilemmas, which can be only managed but not resolved, two further fundamental issues complicate EU asylum policy. First, individuals who migrate irregularly to escape persecution

or conflict are part of a much larger irregular migrant population whose migration motives vary widely, including the pursuit of economic opportunities along with safety from persecution (“mixed migrants”; MMC 2024). In the absence of regular migration opportunities, many mixed migrants find that applying for asylum is their best chance to achieve regular status in their intended destination countries. As a result, acceptance rates for asylum applications (“positive decisions”) vary widely across countries of origin, with Syria and Afghanistan close to 100 percent and some countries where emigration is mostly driven by economic concerns in the low double digits.⁵

At the same time, many rejected asylum seekers never return to their countries of origin – in part, (because) countries of origin have little incentive to cooperate in the mandatory return of their citizens. As a result, countries of destination including the EU have an even stronger incentive to ration access to asylum by restricting irregular immigration.

It is worth emphasizing that many potential migrants are deterred by the absence of legal opportunities and by dangerous journeys. Based on a conjoint experiment in Uganda and Senegal, Detlefsen et al. (2022, Figure 9) find that access to legal (as opposed to illegal) migration and a safe journey (rather than a 1 in 6 risk of dying) make a positive (hypothetical) migration decision far more likely (by 1.3 points on a scale from 0 to 5). Conversely, if countries of destination were to create more legal migration opportunities, hoping thereby to reduce irregular migration, this would work only if new opportunities were strictly targeted at current irregular migrants, rather than being open to all potential migrants – which seems unlikely. Similarly, the Gallup World Poll (Ray and Pugliese 2024) finds that 16 percent of adults worldwide would like to migrate (i. e., move permanently to another country) if they had the opportunity. By contrast, actual migrants of any age account for only about 3 percent of the world’s population. We may safely conclude that potential migration, assuming legal and safe migration corridors to attractive destination countries, is far greater than the migrant movements that we currently observe.

Second, asylum policymaking in the EU is complicated because refugee protection is an international public good. Potential destination countries may host refugees for altruistic reasons or out of self-interest – for example, because large numbers of people on the move with nowhere to go could pose a security risk. If one country hosts refugees and bears the associated costs, all other countries enjoy the same benefits for free; this is the meaning of non-rivalry and non-excludability in the consumption of the public good of refugee protection. Therefore, potential destination

countries need to cooperate to, collectively, dedicate enough resources to refugee protection. Otherwise, a race to the bottom might result, with countries worsening reception conditions to make refugees go elsewhere (while still hoping to enjoy the benefits of refugees being hosted elsewhere).

In its Preamble, the 1951 Refugee Convention recognizes the need for cooperation but does not establish a formal mechanism for responsibility sharing among parties to the Convention. When the Convention was negotiated, this may have mattered little because the Convention was originally meant to protect (only) those individuals who had become refugees through events until the end of 1950 (Article 1). Furthermore, refugees were implicitly expected to move directly from where they were persecuted to their country of asylum (Article 31). Accordingly, irregular migration for protection would be of limited regional scope and the total number of refugees covered by the Convention was known in principle.

In the 21st century, however, declining transport and communication costs have made long-distance international travel much cheaper, including irregular migration across continents. The public-good nature of refugee protection and the associated risk of a race to the bottom in terms of reception conditions have become more prominent. Therefore, the absence of effective responsibility sharing from the 1951 Refugee Convention and its later updates has turned into a serious gap in the architecture of the international governance of refugee protection.

CEAS REFORM AND RESPONSIBILITY SHARING BETWEEN THE EU AND NON-EU COUNTRIES

While advocating for the European Commission’s proposal for reforming the Common European Asylum System (CEAS), Margaritis Schinas, the former Commission Vice President responsible for migration, repeatedly described the proposed institutional architecture of CEAS as a building with three floors:⁶ first, migration agreements with neighboring countries (external dimension); second, the accelerated border procedure for a substantial share of asylum applications at the external EU border; and, third, flexible but mandatory solidarity among EU member states. In this and the following section, we discuss how each “floor” can be constructed further in keeping with humanitarian standards and the public-good nature of refugee protection.

The overall aim of migration agreements with countries of transit or origin (the “first floor” in the



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⁵ Figures on positive decisions can be difficult to interpret because many negative first-instance (tribunal) decisions are later overturned by administrative courts (Eurostat time series: migr_asydcfsta and migr_asydcfina).

⁶ <https://www.brookings.edu/articles/the-eus-new-pact-on-migration-and-asylum-is-missing-a-true-foundation/>.

House of CEAS) should be fair responsibility sharing between the EU and partner countries for protecting displaced people and safeguarding the basic rights of all migrants. What is “fair” will have to be negotiated, but a comprehensive and balanced approach will probably include at least the following elements:

- Refugees have access to protection in partner countries along (irregular) migration routes or through orderly resettlement to the EU.
- The human rights of all people, including irregular migrants, are respected.
- The EU helps pay for the reception and hosting of refugees in partner countries. As needed, the EU assists partner countries in setting up and operating their asylum systems.
- Partner countries restrict irregular migration to the EU through their territories, for example, by preventing migrant smuggling and unsafe transportation – as needed, with technical assistance from the EU.
- Similarly, partner countries cooperate fully with EU member states in readmitting their own citizens if they no longer have the right to remain the EU.
- In line with its standard procedures, the EU works actively with partner countries toward visa facilitation and visa liberalization, with a particular focus on expanding visa access for work and study.

This list is remarkably similar to the March 2016 EU–Türkiye statement on policy measures that ended the large migrant movement from Türkiye to Central Europe in late 2015.⁷ In particular, Türkiye applied its own Temporary Protection Regulation to refugees from Syria, granting them a firm legal status along with access to social support, health care, and education (some of which was financed by the EU).

The history of EU–Türkiye relations since 2016 also demonstrates that a comprehensive migration partnership along these lines depends on good cooperation in many separate policy areas. Bilateral relations between Greece and Türkiye were afflicted by disagreements about Greek sovereignty over certain islands and the possible exploitation by Türkiye of energy resources in the Eastern Mediterranean. These unrelated issues spilled over into bilateral migration cooperation, which should have included returning irregular migrants from Greece to Türkiye in an orderly manner and in accordance with international law. EU visa liberalization for Turkish citizens failed to materialize because of the deteriorating human rights situation in Türkiye. When Türkiye attempted to instrumentalize migrants by facilitating their illegal crossing of the land border with Greece in early 2020, Greece responded robustly by fortifying the land border and also, reportedly, pushing back irregular

migrants to Türkiye even though they had applied for asylum in Greece, which would be illegal under European and international law.

The example of EU–Türkiye migration cooperation shows that comprehensive and constructive EU cooperation with countries along migration routes (the “first floor” in the House of CEAS) can go a long way toward jointly protecting refugees (MEDAM 2021). Recent EU attempts to conclude similar agreements, including with Tunisia, appear to suffer from an over-emphasis on limiting migrant movements to the EU at the expense of protecting refugees and safeguarding migrants’ rights in the partner country. This deficiency is not only regrettable from a humanitarian point of view, but also calls the political sustainability of such agreements into question.

At the same time, unrestricted irregular migration to the EU, often in unseaworthy boats across the Mediterranean, or opening the EU border to all would-be immigrants are not politically viable options either. The EU should make it clear that it is willing to invest significant resources in constructive migration cooperation with partner countries, reflecting the public-good nature of refugee protection. However, the ultimate outcome for refugees and “mixed” migrants depends on whether partner country governments engage with the EU and develop political ownership of refugee protection and migrant rights more broadly put simply, it takes two to tango.

CEAS REFORM AND RESPONSIBILITY SHARING AMONG EU MEMBER STATES

The second floor in the House of CEAS, according to Margaritis Schinas, is the EU’s planned border procedure: fast-tracked asylum processing at the external border for applicants from countries with a low rate of positive asylum decisions, with a view to quickly returning rejected applicants to their countries of origin. While the individual EU member states remain responsible for all asylum processing, the border procedure allows for support from EU institutions and member states.

The border procedure not only aims to accelerate asylum processing, although this is important in its own right. The broader objective of the border procedure is to discourage migrants without a well-founded claim to asylum from applying in the first place. This is relevant because the asylum system needs to deal with bona fide refugees as well as many migrants with mixed motives (see above). The success of the border procedure hinges on the ability of the member state in charge (with the support of EU institutions and other member states) to quickly return failed applicants to their countries of origin. In this respect, the border procedure depends crucially on good cooperation with countries of origin that are targeted by migration agreements under the external dimension (“first floor”) of the CEAS architecture.

⁷ <https://www.consilium.europa.eu/en/press/press-releases/2016/03/18/eu-turkiye-statement/>.

The third floor in the House of CEAS is a permanent mandatory solidarity mechanism to support any member state that faces migratory pressure due to high current arrivals or a “significant migratory situation” because of high cumulative arrivals. The need for such support is identified by the European Commission through an annual monitoring exercise. Each member state is expected to offer support, given total needs, based on its share of EU population and GDP. Member states may provide support by receiving asylum seekers through relocation; through financial contributions; or through other measures such as seconding staff (for example, for asylum processing at the external EU border) or in-kind support. If a member state is entitled to receive support, it may be exempted from its obligation to provide support.

This solidarity mechanism is a response to the somewhat arbitrary way in which responsibility for receiving and hosting asylum seekers is allocated in the EU. The various versions of the Dublin regulation, including the current Asylum and Migration Management Regulation (AMMR), allocate responsibility for every asylum seeker to the member state where the asylum seeker first entered the EU (with a few exceptions). This is meant to discourage onward movements to other EU member states; similarly, there may be few incentives for a race to the bottom in terms of reception conditions because most irregular migrants may have little choice about where they enter the EU. At the same time, small member states at the external border may still end up being responsible for a disproportionately large number of asylum seekers.

In this situation, will the solidarity mechanism be sufficient to hold CEAS together by giving each member state confidence that they will not (be overburdened) because support from the EU and member states through relocation of asylum seekers, financial, and other means will be available when needed? Given that the various elements of CEAS are carefully calibrated and take into account the interdependencies between actors at the global, European, and national level, one may optimistically hope that cooperation will catch on among EU member states and become mutually reinforcing.

However, refugee protection is a public good not only at the international level but also among EU member states. Even with tighter rules for mutual support, EU member states still have many opportunities to free-ride on their CEAS obligations. Within the Schengen area, asylum seekers may in practice travel freely to seek out the member state with the most favorable reception conditions, while the Dublin procedures may not provide an effective remedy. Hence, each EU member state still has a strong incentive to deter asylum applications by offering less favorable treatment than others, including after asylum seekers are recognized as refugees. Across EU member states, (living conditions) living conditions, basic incomes, support for social and labor market integration, etc., all vary widely.

At the same time, member states of first arrival may be tempted to ignore their obligation to register newly arriving asylum seekers and thus avoid becoming responsible for their asylum processing under Dublin rules. If other member states respond by introducing internal border checks to detect asylum seekers moving onward within the EU (possibly contravening the spirit or even letter of the Schengen Borders Code), the Schengen area could gradually disintegrate and refugee protection in the EU as a whole would suffer.

Throughout the history of European integration, some crises have generated the necessary momentum to move toward a higher level of integration. If the solidarity mechanism in CEAS proves not strong enough in the next few years to keep the asylum system together, one option will be to take the public-good nature of refugee protection seriously and concentrate operational and financial responsibility for CEAS within the EU institutions. Such a move would continue the recent shift toward a greater role for EU institutions in refugee protection, including the recent expansion of Frontex and the EU Asylum Agency. Given the considerable cost of receiving asylum seekers, “unionizing” the asylum system would require a major recalibration of the EU budget and additional revenue for the EU. On the other hand, member states that host a disproportionately large number of asylum seekers would benefit from fiscal centralization at the EU level.

POLICY CONCLUSION

The ongoing reform of the Common European Asylum System (CEAS), which is meant to be fully operational by spring 2026, appropriately reflects the public-good nature of refugee protection and the connectedness of the global, European, and EU member state dimensions of the asylum system. However, the proposed responsibility sharing with partner countries outside the EU and among EU member states is mostly voluntary. This is necessarily the case in the EU’s relations with sovereign partner countries (the external dimension of CEAS); for intra-EU cooperation, allowing member states a high degree of flexibility in how they deliver solidarity was probably a precondition for achieving broad political support for CEAS reform across the EU.

In the best possible case, the carefully designed mechanisms of the new CEAS will lead to a virtuous circle of voluntary cooperation within the EU and with partner countries along migration routes to Europe. It is also possible, however, that the perceived benefits of cooperation are not large enough to overcome the incentives that various actors still have to attempt to free-ride on others. In this case, the outcome may be less responsibility sharing, more securitized external and internal EU borders, and worse living conditions for refugees in Europe and elsewhere.

Conceivably, such (further) disintegration could put the full “unionization” of the asylum system at the EU level on the political agenda. In this case, the EU would move beyond rule-setting for member states (like now, mostly) to financing and operating the asylum system. This would be expensive and involve major institutional changes in key policy areas, including social policy, such as similar standards for basic income support and for the social and economic integration of refugees throughout the EU. Whilst a tall order, “unionization” would take the public-good nature of refugee protection in Europe seriously by ensuring that asylum policies and practices reflect a full assessment of the benefits and costs for all parties involved.

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Angelo Martelli

In Search of Security: The Migration Conundrum and the Need for a Global Response

When Filippo Grandi, UN High Commissioner for Refugees, made his statement in front of the Security Council in November 2017, he asked its members a question of apparent striking simplicity but enormous significance: “Have we become unable to broker peace?” These words must have powerfully resounded in the ambassadors’ ears, whose main mission is to deliver peace and security by preventing, containing, and resolving conflicts. Grandi’s intention was to expose how the growing weaknesses in the international cooperation system and the prevalence of short-term interests over long-term collective stability were actually major causes behind the sharp rise in the number of people forcibly displaced worldwide, from 42 million in 2009 to 122.6 million today – a 192 percent increase in fifteen years.

I find it remarkable how nowadays *security* is at the same time the foremost concern for citizens in destination countries, who feel threatened by migrants and refugees and urge their leaders to take back control by building walls and closing borders, and simultaneously the source of migratory flows: “When I meet refugees, their first question is not about food or shelter, but about peace and security – because it is security, and peace, that will convince them to return home,” said the High Commissioner. This is, I think, the conundrum that lies at the heart of our inability to move from a crisis management situation to a sustainable global governance of migration. Political leaders and policymakers are faced with the daunting task of balancing the necessary solidaristic response toward migrants and refugees with reassuring citizens that their safety is not being compromised. This is clearly visible in the apparently schizophrenic behavior in the European responses to migration. The deals with Türkiye in 2016 and later with Libya were the consequence of a difficult choice by even the most enlightened leaders to tighten their open border policy and complement humanitarian action with stricter return measures. In this challenging scenario, it soon became obvious how the fringes holding the most radical positions continue to prevail on the electorate and how any migration debate becomes poisoned with pernicious myths that are very hard to debunk.

KEY MESSAGES

- **Security is simultaneously the foremost concern for citizens in destination countries, who feel threatened by migrants and refugees and call on their leaders to regain control by erecting barriers and closing borders, and also the driving force behind migratory flows**
- **There is a protracted inability to move from a crisis management situation to a sustainable global governance of migration**
- **Is the EU’s New Pact on Migration and Asylum a historic agreement or a broken deal?**
- **There is a need to go beyond the lump of labor fallacy and emphasize the net contribution of migration through enhanced integration and social cohesion**
- **A successful migration strategy must be multifaceted, targeting both the root causes of displacement and its effects on displaced individuals and host communities**

FROM MIGRATION MANAGEMENT TO MIGRATION GOVERNANCE

It therefore remains our duty to counter these worrying nationalistic tendencies with a decisive European and global policy response. The most important attempt in this direction started in September 2016 with the UN Summit for Refugees and Migrants, which was convened thanks to the unwavering efforts and dedication of, among others, the late Peter Sutherland. The *New York Declaration* launched a *Global Compact for Safe, Orderly and Regular Migration*. Through the shepherding work of the UN Special Representative for Migration, Louise Arbour, a series of thematic consultations were held with a zero-draft *Making Migration Work for All* presented by UN Secretary General Guterres in early January 2018. It was a very promising report that aimed to recognize and highlight the benefits of migration, often superseded by a biased public discourse. Moreover, it encouraged governments to establish legal pathways for migration, for instance through mutually beneficial skills partnerships, but also reminded them to fulfill their basic obligations by safeguarding the lives and human rights of refugees and migrants with particular

attention to the most vulnerable groups. The US withdrawal from the Global Compact for Migration under the Trump administration and the failed ratification in key member states, the intergovernmental negotiations with the co-facilitation of Switzerland and Mexico, highlighted the complexity of dealing with migration issues. Contrary to the Geneva Conventions or the highly contested Dublin Regulation, this was not a formal treaty and did not seek to impose binding obligations on states, but the negotiation of such an overarching international agreement was certainly unprecedented. It further underlined the cruciality of political will to finding feasible solutions.

EUROPE'S APPROACH

After the successful application in 2022 of the temporary protection directive for refugees from Ukraine, which saw the backing of member states in an unparalleled fashion, 2024 represented a pivotal year at the European level. A *New Pact on Migration and Asylum* was finally adopted, an effort four years in the making, which will start to be implemented from 2026. What does it truly change, and is it a historic agreement or a broken deal? (Martelli 2024) The newly introduced pact makes modest improvements but raises several critical issues. It was designed to supersede the Dublin system, which placed disproportionate responsibility on frontline states by prioritizing first-country-of-entry criteria. However, the revised framework continues to require asylum seekers to lodge their applications in their initial country of entry. This perpetuates dependence on these countries' administrative capacity and shifts protection responsibilities to so-called "safe" third countries. Without significant enhancements in reception facilities and processing systems, the new measures are unlikely to effectively manage incoming migrants or reduce the existing backlog of asylum cases. Consequently, thousands of migrants risk being left in prolonged limbo. One positive development is the creation of a biometric migration database, but its applications must be carefully restricted to avoid misuse beyond security purposes.

Additionally, fostering robust resettlement and integration programs remains critical for offering legal and safe pathways to protection within the EU. The pact's Solidarity Pool, intended as an alternative to mandatory relocation, is limited to responding to crises and exceptional circumstances. This conditional approach continues to frame migration as an emergency rather than embracing a long-term governance model. The issue of returns will prove critical, with only an extremely small frac-

tion currently being successfully carried out. After the failures so far of the UK–Rwanda and Italy–Albania arrangements, efforts by individual countries to externalize the problem (at a very high cost for taxpayers) will be dwarfed by the complexity of the migration phenomenon, which necessarily requires a multidimensional response.

GOING BEYOND THE LUMP OF LABOR FALLACY

Viewing migration solely as a challenge neglects the significant opportunities it can bring to European economies and societies. While receiving countries understandably seek security, this must not come at the expense of migrants' safety and protection. In the months ahead, ensuring equitable responsibility-sharing and advancing integration and inclusion efforts will be essential for building a truly cohesive and sustainable migration system. Several migration economists (see e. g., Dustmann and Frattini 2014) have highlighted that the net fiscal impact of migrants is positive, especially considering that host countries did not bear the cost of their pre-arrival education, which is particularly beneficial for skilled migrants.

In a policy brief coauthored with Hangartner and Malaeb (2021) titled *Human Mobility: Towards Enhanced Integration and Social Cohesion*, there are a number of initiatives that can be taken to improve the effectiveness of a new common migration policy. This starts with the use of technology to match labor market supply and demand for refugees. For resettled refugees, successful labor market integration begins with placing individuals in locations where they are most likely to thrive. However, this process faces challenges, including (1) a lack of information about both refugees and labor market characteristics and (2) limited state capacity to find the best matches. Academic research has developed data-driven matching mechanisms to improve labor market integration. It is crucial to incorporate these mechanisms into host countries' policies.

It will also be crucial to implement comprehensive active labor market programs for refugees. Refugees encounter three primary barriers when entering the labor market: proficiency in the host country's language; understanding of the labor market; and a lack of qualifications. Additionally, they face institutional barriers that restrict their legal access to the labor market, such as limited occupations or difficulties in obtaining work permits. Refugees may also experience discrimination in hiring, leading them to accept lower-paid and informal jobs. Therefore, the sooner refugees gain access to the labor market and active labor market programs, the quicker their economic integration will be.

It is fundamental to revamp the asylum process with an emphasis on integration. Successful labor market integration is closely linked to refugees' migration experiences. In addition to fleeing violence,



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refugees often face deprivation, gender-based exploitation, and life-threatening conditions in camps or placements. Prolonged exposure to violence and traumatic events can have lasting effects on their physical and mental health, making social integration more challenging.

THE NEED FOR A GLOBAL RESPONSE

Addressing forced displacement and enhancing human mobility outcomes is a complex policy challenge. A successful investment strategy must be multifaceted, targeting both the root causes of displacement and its effects on displaced individuals and host communities. The recent emphasis on integrating humanitarian and development aid, with contributions from leading academics and international financial institutions, is promising. However, more evidence is needed to ensure this approach works sustainably and without negative impacts – real or perceived – on host communities.

We must recognize that the real “crisis” is occurring in frontline states, where high numbers of arrivals and the resulting economic strain threaten already fragile social cohesion. The data provided by UNCHR¹ show how nearly two-thirds of all refugees and other people in need of international protection come from just four countries: the Syrian Arab Republic, Venezuela, Ukraine, and Afghanistan. At the same time, Colombia, Germany, the Islamic Republic of Iran, Türkiye, and Uganda host almost one-third of the world’s refugees and other people in need of international protection. These are striking figures showing how it is essential to overhaul “deals” and enhance the UN Compacts.

We need to support government policies that create employment and livelihood opportunities for refugees; that channel investment to countries of origin, transit, and destination to align with emerging academic evidence on best practices; and, finally, that harness the private sector to improve the effectiveness of investments to support refugees, migrants, and host communities.

POLICY CONCLUSIONS

As George Borjas of Harvard underlined in his book *We Wanted Workers* (2016), the migration debate must avoid repeating the mistake we made with globalization where we insisted on purporting only a positive narrative around the gains from trade and are now discussing how to compensate the losers from it. Migrants represent an extraordinary opportunity for destination countries (Amodio et al. 2018), both in labor markets facing major demographic changes and in terms of contributions to the welfare systems

(Kostakis and Martelli 2024). Nonetheless, the short-term pressures they generate, for instance in housing and local services, cannot be ignored. It is thus necessary for discussions around migration issues to extend beyond the practitioners’ circles and involve other key stakeholders, for instance considering universities as social mediators for such deliberations, and let high-quality, globally connected, yet locally informed research feed policymaking. There is an urgent need for an improved understanding of the full spectrum of migration dynamics. It is important to directly engage with global policymakers in the context of the G7, G20, and the UN, providing evidence-based recommendations and developing public monitoring and reporting mechanisms to hold governments and other stakeholders accountable to their commitment to global burden sharing arrangements.

Heart-wrenching documentaries such as *Fire at Sea* and *Human Flow*, *Io Capitano* or stories from the eye of the storm such as *Exit West* have shown the broader public how migration is a multifaceted and complex phenomenon taking place at a global scale. When taking into account all the above political-economy implications, the search for the right policy solution becomes overwhelming, but one must never forget the dignity of human life. I visited CARA Mineo (Sicily) – one of the largest asylum seekers centers in Europe – together with Peter Sutherland, who was at the time UN Special Representative for International Migration. After talking to the staff, from doctors to teachers, as well as to the migrants and refugees hosted in the camp, my attention was drawn to a letter hanging on the wall of one of the dormitories, which cited Goethe: “*Treat people as if they were what they ought to be and you help them to become what they are capable of being.*” It is fundamental to find legal pathways for migration, but we must not ignore the fact that migrants are also individuals who often share our same dreams, and we cannot deprive them of imagining a plausible, desirable future for themselves.

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Eugenia Vella

Does the EU Need a New Common Migration Policy? Evidence-Based Insights from Germany and Greece

KEY MESSAGES

- Migration can stimulate economic growth when managed strategically
- Heterogeneous impacts require targeted and redistributive policies
- Narratives of migration as purely a supply-side issue are overly reductive
- Migration can serve as a deficit-financing alternative to tax hikes or spending cuts
- Achieving a new common migration policy may be more realistic through incremental steps

Migration policy has emerged as a cornerstone of debate within the EU, reflecting the continent's ongoing struggle to address demographic imbalances, labor market demands, and social cohesion. Faced with an aging population and low fertility rates, the EU's workforce is shrinking, leading to critical shortages in sectors such as healthcare, agriculture, and information technology. These challenges are compounded by divergent migration policies among member states.

As the EU seeks to balance its economic needs with political realities, the question of a unified migration framework is becoming increasingly urgent. Effective migration policy can not only alleviate labor shortages but also drive economic growth and innovation while promoting social stability. However, achieving this requires moving beyond fragmented national approaches to a cohesive strategy that harmonizes labor mobility, integration, and solidarity mechanisms across member states.

Public perception often diverges from empirical evidence, with concerns about migration's effects on wages and employment fueling resistance to policy reforms. A better understanding of the migration effects on the labor market and the macroeconomy is crucial for migration policy design (Vella et al. 2020). By examining recent research focused on Ger-

many and Greece, this article offers evidence-based insights for a more sophisticated EU migration approach. The next sections highlight the complex economic dynamics of migration, challenging simplistic narratives of migration as purely a supply-side labor market phenomenon, and propose steps to build a robust and equitable migration framework.

AGGREGATE AND DISTRIBUTIONAL EFFECTS OF MIGRATION

Although extensive research has examined the impact of immigration on employment and wages using disaggregated data, the integration of migration dynamics into macroeconomic models has been constrained by a lack of high-frequency data. Notably, such data is available for Germany, one of the EU's main migrant destinations. Since 2006, the German Federal Statistical Office (Destatis) has collected monthly data on foreign arrivals, categorized by country of origin, based on population registers at the municipal level. Figure 1 illustrates fluctuations in Germany's net migration rate by origin, highlighting spikes during the 2015–2016 refugee crisis and subsequent stabilization.

An analysis of this data provides strong evidence of migration's economic benefits. Empirical research by Maffei-Faccioli and Vella (2021) demonstrates that, between 2006 and 2019, net migration in Germany contributed to job creation, higher wages, and increased industrial production, as well as growth in per capita GDP, investment, consumption, net exports, and tax revenue. These findings challenge the common perception of migration as an economic burden, instead positioning it as a dynamic economic asset. Contrary to prevailing political rhetoric, migration has the potential to significantly expand the economic "pie."

Despite its overall economic benefits, migration's impacts are unevenly distributed. The research on Germany demonstrates that unemployment decreases for native workers, while it increases for earlier immigrant cohorts. When immigrants enter the labor market, they not only seek employment, but also generate demand for goods and services, thereby creating jobs for native-born workers. The critical question has always been which effect prevails. The results of Maffei-Faccioli and Vella (2021) underscore a predom-



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inant job-creation effect for natives and a significant job-competition effect for foreign workers.

An exception to this trend emerges in subsample analysis focusing exclusively on OECD-origin net migration shocks. These shocks increase unemployment rates among high-skilled native workers while decreasing unemployment rates among low-skilled foreign workers. Immigration from developed countries typically includes a higher proportion of high-skilled labor compared to flows from developing countries. These high-skilled immigrants often directly compete with high-skilled natives, particularly in language-intensive occupations. However, high-skilled immigrants also contribute to job creation, benefiting earlier cohorts of low-skilled immigrants. They enhance productivity through technological advancements and knowledge spillovers, stimulate consumer demand, and support company expansion by filling critical roles.

Furthermore, the analysis differentiates the inflationary impact of job-related migration from OECD countries from the deflationary impact of migration, including refugees, from less advanced economies. In the former, demand effects dominate, whereas in the latter, where migration is predominantly low-skilled and often politically driven, supply-side effects prevail.

Overall, the key message from the study of Maffei-Faccioli and Vella (2021) is that migration enlarges the aggregate economic pie, but harnessing its potential requires a nuanced and coordinated approach. For instance, differences in labor market outcomes based on migrants' geographic origin and education level underline the importance of targeted policies that address these disparities. Moreover, implementing redistributive strategies is vital to ensure that the benefits of aggregate gains are widely shared.

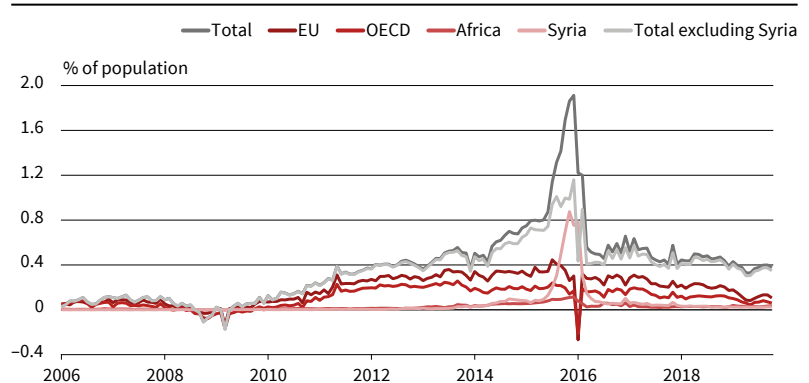
MIGRATION AS A DEFICIT-FINANCING ALTERNATIVE

Greece offers a contrasting case during the economic depression of 2010–2015, marked by a significant “brain drain.” Bandeira et al. (2022) provide critical insights into the fiscal implications of this migration. The study examines the interplay between emigration and fiscal austerity during the Greek Depression, revealing their interconnected effects on the economy. During this period, Greece endured a severe economic downturn, with GDP shrinking by 25 percent and unemployment soaring to over 25 percent. Fiscal austerity measures, implemented as conditions for bailout funds, exacerbated the economic contraction. Simultaneously, around half a million Greek residents – approximately 7 percent of the active population – emigrated in pursuit of better opportunities abroad.

The key finding on emigration's role during the Greek Depression is its bidirectional relationship with fiscal austerity. Austerity policies influenced migration decisions, while emigration, in turn, shaped the

Figure 1

Net Migration Rate in Germany by Geographic Origin, 2006–2019



Source: Maffei-Faccioli and Vella (2021).

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Table 1

Present-Value Cumulative Multipliers for Labor Taxes in a Model with Emigration

Years after the fiscal shock	No emigration	Emigration of unemployed	Emigration of unemployed & employed
0	0.60	0.54	0.52
1	0.69	0.73	0.76
5	0.86	1.27	1.47

Notes: Year 0 refers to the impact multiplier. The labor tax multipliers measure the change in the value of output (in currency units) due to a one currency-unit decrease in labor tax revenues.

Source: Bandeira et al. (2022).

effectiveness of these policies. Notably, nearly half of the emigrants were employed before departing (Labrianidis and Pratsinakis 2016), significantly affecting Greece's labor market, tax base, and consumption. Moreover, emigration exacerbated the adverse impacts of fiscal austerity, amplifying declines in consumption, investment, employment, and tax revenues. When people can “vote with their feet,” fiscal policies encounter a more elastic tax base, which can erode revenue and potentially increase public debt. In Greece, emigration undermined fiscal consolidation efforts by shrinking the tax base, necessitating higher tax hikes and prolonging the timeframe needed to achieve debt reduction goals. This created a feedback loop between emigration and economic decline, perpetuating a deeper and more prolonged recession.

Table 1 demonstrates that the migration channel significantly influences the labor tax multipliers derived from the theoretical model proposed by Bandeira et al. (2022). By amplifying shifts in internal demand, emigration increases the magnitude of these multipliers. The cumulative multiplier after five years rises from 0.86 without migration – indicating that a cumulative one-euro reduction in tax revenues from labor tax cuts results in a 0.86-euro increase in GDP – to 1.27 when the unemployed emigrate, and further to 1.47 when both the unemployed and employed emigrate. In the context of labor tax hikes, these findings suggest that emigration exacerbates GDP losses.

While emigration temporarily acted as a shock absorber for fiscal austerity by reducing the population

and diluting output losses per resident, it simultaneously deepened the recession by diminishing aggregate demand and tax revenue. Although emigration may have initially eased unemployment by lowering labor supply, these gains were eventually reversed as the recession intensified.

The key takeaway regarding the fiscal implications of emigration aligns with the insights from the seminal work by Storesletten (2000). Storesletten's analysis demonstrates that immigration inflows in the United States can enhance tax revenue per capita and reduce government debt, providing a valuable alternative to deficit-financing strategies like tax hikes or spending cuts. This underscores the potential of migration as a fiscal stabilizer, where an influx of immigrants not only expands the labor force, but also bolsters the tax base, alleviating fiscal pressure on governments.

By contrast, emigration potentially has the opposite effect, eroding the tax base and compounding fiscal challenges, as evidenced in the Greek Depression. This comparison highlights the double-edged nature of migration: while immigration can act as an economic boon, emigration – especially of skilled workers – can severely weaken a nation's fiscal resilience. Understanding these dynamics is critical for policymakers seeking sustainable solutions to fiscal imbalances and economic growth.

A NEW COMMON EU MIGRATION POLICY: INSIGHTS AND FEASIBILITY

The EU's New Pact on Migration and Asylum represents an effort to harmonize policies across member states. Key features include talent partnerships to align migrant skills with labor needs, streamlined asylum procedures, and burden-sharing mechanisms. These reforms aim to address the inefficiencies of fragmented national approaches while promoting solidarity. Despite these advancements, significant gaps remain. Critics argue that the pact's reliance on voluntary solidarity measures allows some member states to avoid responsibilities. Moreover, inconsistencies in defining "safe third countries" for asylum seekers risk undermining humanitarian standards.

Fragmented national policies have limited the EU's capacity to manage migration effectively, highlighting the pressing need for a unified EU migration framework. Such a harmonized policy should draw on the experiences of individual member states to develop a framework that maximizes economic benefits while addressing public concerns. Based on the two studies analyzed above, but not limited to them, this section starts with evidence-based insights for a more sophisticated EU migration approach:

- Migration policy should account for skill-level heterogeneity to maximize economic benefits. Targeted migration programs must be developed and

expanded to attract high-skilled workers for critical sectors while maintaining a balance between low- and high-skilled immigration. Policymakers should align migration strategies with automation trends by prioritizing low-skilled labor for non-automatable roles and high-skilled talent to foster innovation and technological advancement. This balanced approach ensures that migration supports both current economic demands and future growth.

- Strategies should focus on ensuring the equitable distribution of migration's economic benefits by supporting both native and immigrant populations. Targeted interventions are essential to address the needs of vulnerable labor market segments, fostering inclusivity and long-term economic stability.
- Fiscal policies should be designed to reduce migration-detering taxation and establish economic incentives that attract skilled migrants. By creating a tax environment conducive to talent mobility, policymakers can enhance a country's competitiveness and address critical labor market needs.
- Policymakers should integrate demographic forecasts into data-driven policy design, using artificial intelligence to predict labor market needs and match migrant skills with economic demands across regions. It is essential to develop robust and granular data collection mechanisms to track migration flows, analyze their economic impacts, and inform evidence-based policymaking. This approach will enable more efficient and responsive migration strategies.

However, a natural question that arises is how feasible it is to achieve a common migration policy. After all, the EU does not have a common fiscal policy. While migration and fiscal policy are distinct issues, they share important parallel challenges that warrant consideration:

- Diverging national interests: Just as with fiscal policy, EU member states have different interests and priorities when it comes to migration. Countries at the EU's external borders (such as Greece, Italy, and Spain) often face higher volumes of migration and may prioritize stronger border controls and burden-sharing arrangements. On the other hand, wealthier countries like Germany and France might focus more on integrating migrants and addressing labor shortages.
- National sovereignty: Migration policy is closely tied to national sovereignty. Countries often see migration as an issue of national interest and are hesitant to cede control over it to Brussels. This is similar to the resistance to common fiscal policy, where countries want to retain control over their own budgets and taxation.

- Economic disparities: Countries with stronger economies may be more willing to accept migrants, while those with weaker economies may fear the impact of migration on their social systems and job markets. Achieving a common migration policy would require addressing these disparities, just as fiscal policy would need to account for differences in national economic conditions.
- Solidarity and burden sharing: The EU has tried to foster solidarity in its approach to migration, with mixed success. While the idea of sharing the responsibility for migrants is central to a common migration policy, member states have often resisted this idea, especially when it involves mandatory quotas or financial contributions. This echoes the challenges in achieving fiscal solidarity, where wealthier states are often reluctant to financially support poorer states, such as through mechanisms like the European Stability Mechanism (ESM).
- Political will and reform: A common fiscal policy remains elusive, partly due to political disagreements over the balance of power between the EU and national governments. Similarly, achieving a common migration policy would require overcoming deep divisions among member states and negotiating compromises on highly sensitive issues like border control, asylum seekers, and labor mobility.

POLICY CONCLUSION

Migration is not only a challenge for the EU, but also a unique opportunity to address its demographic and economic crises. A harmonized and forward-looking migration framework can transform migration into a driver of growth and innovation. To make a common migration policy viable, the EU must tackle the economic and social disparities dividing its member states. Success hinges on balancing national sovereignty, economic inequalities, and solidarity while ensuring equitable responsibility-sharing across the bloc.

As with fiscal integration, achieving a common migration policy may be more realistic through incremental steps. Failure to act risks deepening labor shortages, economic stagnation, and social fragmentation. On the other hand, adopting a bold and unified migration strategy would enable the EU to fully leverage migration's potential to drive prosperity and cohesion.

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Eiko Thielemann

Solidarity Challenges in EU Refugee Policymaking: A Comparison of the Yugoslav, Syrian, and Ukrainian Crises

KEY MESSAGES

- Refugee protection in Europe is characterized by free-riding and a highly inequitable distribution of responsibilities across EU member states
- Refugee protection as a public good suffers from collective action challenges that have contributed to the under-provision of refugee protection willingness
- Protection inequities have persisted over the past 30 years and across the three largest refugee crises despite EU solidarity initiatives
- The effectiveness of such initiatives has remained limited as the EU has struggled to develop policies that go beyond voluntary (and often symbolic) responsibility sharing initiatives
- To become more effective in addressing refugee disparities, the EU should seek to develop more substantive (market-based and mandatory) solidarity initiatives than it does in its recently adopted European Pact on Migration and Asylum

There have been long-standing debates around solidarity, responsibility, and burden sharing in the debates on refugee protection in Europe (Thielemann 2018; Hatton 2016; Bansak et al. 2017). It is widely recognized that the unequal distribution of refugee responsibilities is unfair to many countries. Such inequalities are also unlikely to be sustainable politically, especially in a regional governance regime like the EU that

sees itself as an aspiring political community. Inequalities can be expected to cause diplomatic fallout and are likely to further undermine the protection willingness of countries.

Unequal distributions of refugee responsibilities are of course not much of a problem as long as responsibilities are distributed based on the relative size and capacity of states. However, an empirical analysis of Europe's three main refugee crises since the fall

of the iron curtain in 1989 suggests that responsibilities are not at all shared fairly in line with capacity. This raises a number of questions: Why has the distribution of refugees become and remained so unequal? Has this been by coincidence or by design? What kind of EU policies aimed to address disparities can we expect to reduce the unfair distribution of responsibilities and help to better protect those seeking protection in Europe?

To address these questions, this paper investigates what responsibility sharing policies the EU has adopted and examines the degree of convergence achieved since the adoption of such policies. It does so by studying how disparities have evolved in the EU during the three largest refugee crises of the past 30 years (Yugoslavia, Syria, Ukraine) when several new EU solidarity instruments have been developed and asks whether there is evidence of reduced disparities over time. Ultimately, the paper asks what lessons can be learnt from such an analysis and how much confidence one should have that recently adopted EU policies will be more effective in addressing the solidarity and collective action challenges that the EU's asylum and refugee regime is faced with.

WHY SUCH UNEQUAL DISTRIBUTION?

For attempts to conceptualize explanations about the distribution of refugee responsibilities, a useful starting point is an analysis of factors that can be expected to have an influence on the relative attractiveness of destination countries. Here, a distinction is often made between structural and policy-related factors (Thielemann 2006). Structural pull factors refer to the influence of factors such as geography, the economy/ labor market, or historic ties (Ranis and Fei 1961; Massey et al. 1993). Policy-related pull factors are those that relate to policy differentials between potential host countries. States often restrict access to asylum seekers and view asylum responsibilities as "zero sum," expecting that raising restrictions will lower burdens in one country but result in higher responsibilities for other countries. National policymakers will therefore attempt to use restrictive migration policy instruments (engage in regulatory competition) to make sure that their country will not be seen as a "soft touch," i.e., they will seek to limit their country's relative attractiveness as a destination country



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through restrictive policies that often contribute to the unequal distribution of protection seekers across countries.

Another set of academic literature seeks to explain the relative distribution of refugee responsibilities with reference to the research on public goods, collective action problems, and free-riding dynamics (Suhrke 1998; Barutciski and Suhrke 2001; Betts 2003; Thielemann and Dewan 2006).

The principal theoretical expectations stemming from these characteristics are not related just to free-riding incentives but also to the under-provision of public goods (Olson and Zeckhauser 1966). Given the “non-excludability characteristics” of public goods, i. e., the fact that non-providers cannot easily be excluded from consuming, countries have an incentive to rely on “positive spill-ins” of goods that are being contributed to by others. In doing so, they conceal their true preferences for the particular good in question in the hope of being able to free-ride on the efforts of others. Public goods are therefore expected to be provided at inefficient or suboptimal levels.

To overcome collective actions, problems, and concerns about free-riding, the public goods literature suggests that there is a need for effective cooperation and substantive (rather than merely symbolic) solidarity among states. It can be easy to agree that there is a need for cooperation, while remaining vague about what kind of international cooperation one is referring to. Clearly, symbolic solidarity measures are insufficient and do not satisfy the requirement for what might be called “substantive cooperation” that the public goods literature is calling for in order to effectively address free-riding problems and concerns about the under-provision of public goods.

When analyzing EU cooperation in this area, it is useful to distinguish between three types of solidarity measures that focus on responsibility allocation rules for displaced persons. Those are: (1) solidarity measures that are based on market mechanisms, (2) solidarity initiatives that operate on the basis of voluntary contributions, and (3) solidarity actions that work through the sharing of mandatory commitments.

Responsibility-sharing through market mechanisms is based on the idea of refugee choice. One can conceptualize a market of protection opportunities across different countries, with displaced persons being the ones who choose which country they want to seek protection in. Such market-based approaches are often combined with a system of harmonized (minimum) protection standards that seeks to minimize the risks of regulatory competition and burden-shifting. Solidarity measures that are based on voluntary responsibility-sharing instruments are measures that allow, encourage, or cajole states to take on additional responsibilities. The motivation for such voluntary contributions (pledges of support for other countries) can range from altruism, to expectations about future quid pro quo actions, to reputational blackmail

(by “naming and shaming” those that do less than their fair share). Solidarity initiatives that are based on a mandatory contribution logic often adopt a quota-based approach that takes the relative capacities of contributors into account. Mandatory solidarity measures can be expected to be more effective in addressing free-riding concerns as long as a political commitment can be found to adopt and implement such initiatives in the context of what some might regard as a threat to national sovereignty.

Attempts to create a common European asylum and refugee system have included all three types of solidarity approaches (sometimes in combination). The analysis below will show that while EU policies have started to include some market-based and mandatory elements, the voluntary solidarity logic has dominated, calling into question the EU’s ability and/or commitment to adopt substantive (rather than just symbolic) cooperation measures.

THE EVOLUTION OF EU SOLIDARITY POLICIES

The first discussions about European solidarity in the context of attempts to create the common European asylum system go back to the mid-1980s when the Dublin Convention was negotiated. It took until 1997 for that Convention to come into effect. This meant that at the time of the collapse of the Soviet Union and the outbreak of civil war in the former Yugoslavia, no European legal framework on the allocation of asylum responsibilities was in operation. During the Yugoslav crisis, it was market mechanisms that dominated as states’ protection responsibilities arose through the choices of individuals fleeing the war. At the time, economic, historical, and geographic pull factors in particular made asylum seekers choose Germany in the largest numbers.

In response to the Yugoslav refugee crisis, the EU adopted the Temporary Protection Directive. This was after rejecting an earlier German proposal for an EU-wide mandatory capacity-based quota system for the allocation of asylum seekers. The Temporary Protection Directive (adopted in 2001) provided for the institutionalization of the market solidarity approach under EU law. It also foresaw the possibility of member states making voluntary solidarity pledges of support to those member states particularly affected by a “mass influx” of asylum seekers. Curiously, the Temporary Protection Directive was not put into effect until the Russian invasion of Ukraine in 2022.

In essence, this meant that until the Ukrainian crisis the “Dublin system” remained the legal framework responsible for the allocation of asylum responsibilities among the EU member states. Under Dublin rules, responsibility allocation is primarily based on the “country of first entry” principle. This principle stipulates that the member state through which an asylum seeker first arrives in the EU is the country deemed responsible for that individual’s asylum claim.

However, despite the fact that Dublin rules remained central from a legal perspective, de facto responsibility allocation during the Syrian refugee crisis was largely determined by the choices of asylum seekers, even when these choices were constrained. While, in principle, Dublin rules legally prohibited “secondary movements” of asylum seekers arriving in Europe beyond the country of first entry, de facto onward movements were very frequent and “Dublin returns” by other member states to the country of first entry were rare. This meant that despite Dublin rules, market solidarity mechanisms continued to play a significant role during the Syrian refugee crisis.

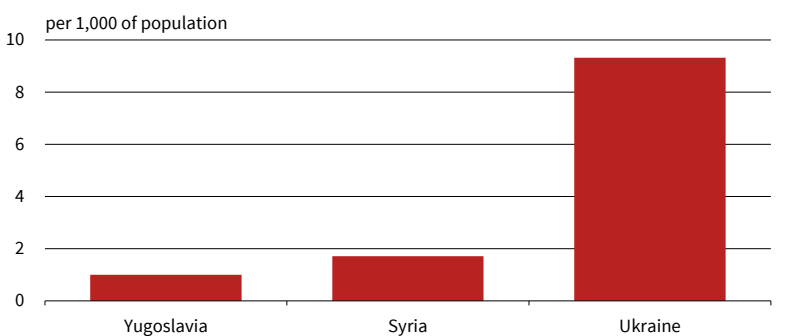
The Syrian crisis also led the EU to develop its first major policy that was explicitly based on the principle of mandatory solidarity, aimed at relocating up to 160,000 asylum seekers from Greece and Italy to other parts of the EU based on a capacity-based quota arrangement. The political opposition to this scheme (especially in Eastern Europe) was extensive and its implementation remained very poor. Subsequent attempts to establish a permanent mechanism of mandatory solidarity failed as the Commission’s Dublin+ (or Dublin IV) proposal, while supported by the European Parliament, never received the necessary support in the EU Council.

Instead, the von der Leyen Commission put forward proposals for a new “Pact on Migration and Asylum” in September 2020. Central to the Pact is the goal to create a fairer, more efficient, and more sustainable migration and asylum process. To achieve that, the Pact entails a wide range of measures under the label of “flexible and mandatory solidarity.” The Pact’s solidarity provisions set out a multi-stage responsibility allocation process. Initially, under the new rules, responsibility is assigned based on entry in a similar way to the old Dublin provisions, but with more explicit elements that invite member states to make voluntary contribution offers to help other member states who are facing higher responsibilities. If such spontaneous offers are deemed insufficient, the Commission can then set capacity-based targets for each member state, with the aim to spur (still voluntary) offers of support to other states. In a final stage, the EU may adopt a mandatory correction mechanism for the relocation of protection seekers. Therefore, while the Pact includes a potential mandatory solidarity mechanism (which will be very hard to implement), it is only the final step of a multi-step system that continues to be dominated by a voluntary solidarity logic.

The new Pact had not been adopted and was not yet in force in 2022 when Russia invaded Ukraine. Instead of returning to initiatives for mandatory solidarity undertaken during the Syrian war, the EU decided to respond to the Ukrainian refugee crisis by putting market solidarity (free choice) mechanisms at the heart of its response. It did so by activating the EU’s Temporary Protection Directive for the very first time since its adoption in 2001. As a result, Ukrainians fleeing conflict (unlike Syrians and others) were given the right to freely choose the EU member state responsible for their protection. As the Temporary Protection Directive also went a long way toward harmonizing the rights of beneficiaries of temporary protection, the EU’s response to the Ukrainian crisis was perhaps the clearest example yet of the EU opting for an approach based on the “free choice” of protection seekers and principles of “market solidarity.”

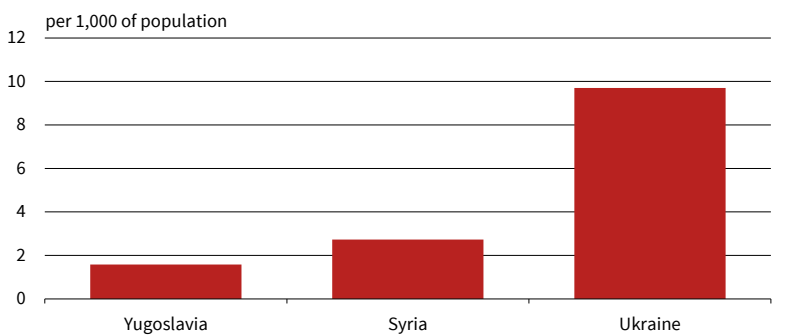
Ultimately the analysis of EU policies indicates that while there have been some attempts of introducing alternative instruments, EU policies to date

Figure 1
Average Relative Number of Protection Seekers in EU Countries across Three Refugee Crises, 1990–2024



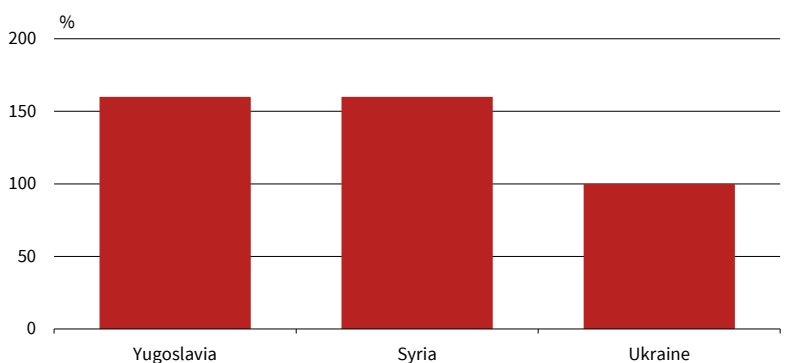
Source: EUROSTAT; author’s calculations. © ifo Institute

Figure 2
Standard Deviation of Relative Asylum and Temporary Protection Applications in Europe across Three Refugee Crises, 1990–2024



Source: EUROSTAT; author’s calculations. © ifo Institute

Figure 3
Coefficient of Variation in Protection across Three Refugee Crises, 1990–2024



Source: EUROSTAT; author’s calculations. © ifo Institute

suggest that the EU struggles to move beyond voluntary solidarity mechanisms when trying to address concerns about the unequal distribution of responsibilities. In other words, the EU has found it difficult to adopt the kind of deep cooperation mechanisms that go beyond symbolic solidarity.

PROTECTION RESPONSIBILITIES IN EUROPE – HOW UNEQUAL?

An empirical analysis of EUROSTAT data on protection disparities across the Yugoslav, Syrian, and Ukrainian refugee crises (1990–2022) shows that despite EU solidarity initiatives, disparities in refugee responsibilities have persisted while responsibilities have increased.

First, while Europe's responsibilities for asylum seekers and refugees have remained comparatively low when contrasted to some of the main host countries for refugees in the Global South, there is clear evidence that EU member states' relative responsibilities have increased (see Figure 1).

Second, the data suggests not only higher responsibilities for EU member states over time on aggregate but also that the distribution of refugee responsibilities among EU member states over the past three decades has remained highly unequal. In other words, despite the policy interventions undertaken by the EU and its member states that have aimed to enhance solidarity and reduce unfair disparities in the distribution of responsibilities, the distribution of protection seekers has remained highly unequal and inequitable. A useful way to compare (relative) disparities in responsibilities over time across the EU is to compare the standard deviation of relative responsibilities across the three crises of displacement (see Figure 2).

To enable an even more meaningful comparison of the extent of disparities observed across the three crises, it is useful to refer to the coefficient of variation for each crisis (standard deviation divided by the mean) (see Figure 3).

This analysis demonstrates that while responsibilities have been highest during the Ukraine crisis, the disparities in the distribution of such responsibilities has been lower during the Ukrainian crisis than in the two earlier displacements. This suggests that policies based on market solidarity mechanisms and refugee choice can produce fairer distributional results than one might expect.

POLICY CONCLUSIONS

It has been shown that the three solidarity logics (market, voluntary, and mandatory solidarity) discussed in this paper can be expected to have very different distributional consequences. They can also be expected to affect the rights of states and refugees in very different ways, hence raising solidarity dilemmas in refugee policymaking that have proven diffi-

cult to resolve. A market solidarity (free choice) logic maximizes the rights of refugees by allowing them to choose their preferred host country, but risks ignoring the concerns of host states and their citizens while potentially also leading to highly inequitable outcomes. The logic of voluntary solidarity maximizes state sovereignty, but it is unlikely to effectively address concerns about free-riding and the under-provision of refugee protection. Mandatory solidarity might be expected to lead to the fairest distributional outcomes, but its logic is often regarded as a threat to national sovereignty and democratic legitimacy. Mandatory solidarity measures have also been accused of ignoring the preferences and/or rights of protection seekers in the relocation process. Empirically, this paper has shown that EU asylum policies over the past three decades have been dominated by a voluntary solidarity logic. It is therefore not surprising that the unequal distribution of protection responsibilities has persisted and sometimes been reinforced rather than effectively addressed by EU policies. The challenge for future policymaking in the EU is to find answers to the question of how best to address the solidarity dilemmas that have prevented policymakers from moving beyond voluntary solidarity measures. The answers provided in the recently adopted European Pact for Asylum and Migration are clearly insufficient.

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Florian Bartholomae, Chang Woon Nam and Alina Schoenberg

From Burden to Balance: The Role of Age and Education Level in the Distribution of Refugees in Europe

KEY MESSAGES

- Migration poses both an opportunity and a challenge for the EU, as it offers a solution to labor shortages and demographic imbalances, but also creates social and economic pressure
- A fairer distribution of refugees among EU member states, considering age and education level, can optimize labor markets, promote social cohesion, and reduce populist sentiment
- Current models for refugee distribution often fail to align with host countries' needs, and incorporating nuanced indicators like age, education level, and social resistance can improve fairness and efficiency
- Tailored policies that address integration barriers, such as skill recognition and language training, can maximize refugees' contributions to host economies and counter negative public perceptions
- While giving preference to younger and educated refugees can improve integration outcomes, this approach must be reconciled with humanitarian principles to uphold ethical standards in refugee policy

Migration continues to be a pressing and complex issue in the EU, as its member states are simultaneously confronted with an acute labor shortage and the challenges of a massive influx of refugees. At its core, migration offers both opportunities and obstacles: skilled migrants can offset demographic imbalances

and stimulate labor markets, while unskilled migrants and refugees fleeing humanitarian crises are often seen as a burden on welfare systems and social cohesion. The ongoing influx of refugees from conflict areas has exacerbated these challenges, leading to significant differences in the distribution of migrants in the EU and triggering debates on a fair distribution of responsibility and sustainable migration policy.

The current situation shows that migration pressure is very unevenly distributed across EU member states, with some countries disproportionately affected while others face relatively lighter burdens. These inequalities not only increase public resentment towards migration, but also fuel the rise of populist movements across Europe (Nam 2024; Bartholomae et al. 2023). Furthermore, the lack of a coherent European migration policy exacerbates the fragmentation of efforts and increases tensions and inefficiencies in dealing with the issue (Straubhaar 2000). This dispute underscores the urgent need for a coordinated policy that reconciles national interests with collective responsibility in the EU.

To overcome these challenges, efforts to distribute refugees should pursue three objectives: optimizing the labor market, social cohesion, and reducing populist sentiment. Optimizing the labor market aims to match the skills of migrants with the economic needs of host countries, thus counteracting skills shortages and demographic decline. Social cohesion focuses on promoting harmonious integration by leveraging the (financial and welfare) capacities and expertise of countries that are experienced in supporting migrants. Finally, to reduce populist sen-



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Table 1

Number and Education Level of Persons with International Protection Status/Asylum Seekers per 1,000 Persons in the Respective Age Group, 2023

	From 15 to 24 years			From 25 to 54 years			From 55 to 74 years		
	Education levels			Education levels			Education levels		
	0-2	3-4	5-8	0-2	3-4	5-8	0-2	3-4	5-8
EU27	10.2	3.4	-	7.2	5.1	4.5	4.1	3.0	2.7
Austria	27.2	12.1	-	16.4	18.3	10.7	4.9	7.6	7.3
Belgium	10.1	5.2	-	12.1	7.3	8.3	4.9	4.9	3.4
Croatia	-	-	-	3.5	15.2	5.7	12.7	15.2	1.6
Cyprus	16.8	9.3	-	7.7	6.7	6.7	-	-	-
Denmark	5.9	-	-	10.1	6.2	4.4	5.4	5.4	2.9
Finland	9.0	-	-	5.2	8.4	1.7	-	-	-
France	-	-	-	3.8	3.1	2.8	6.5	4.6	4.6
Germany	36.0	8.0	-	23.8	13.8	10.7	9.7	6.1	5.2
Italy	0.3	-	-	0.7	0.6	0.2	0.2	0.2	-
Luxembourg	31.4	-	-	12.3	13.6	21.6	-	-	-
Netherlands	15.5	6.6	1.1	12.8	7.8	9.6	6.3	3.1	5.1
Portugal	-	-	-	1.2	1.9	2.6	5.3	3.1	4.7
Spain	2.4	-	-	1.3	1.0	3.1	0.6	0.5	0.6
Sweden	38.8	20.3	4.0	28.4	17.1	21.3	15.2	11.7	13.3

Note: (1) Education levels according to International Standard Classification of Education: Levels 0-2: Less than primary, primary, and lower secondary education; 3-4: Upper secondary and post-secondary non-tertiary education; 5-8: Tertiary education. (2) Country selection is determined by data availability.
Source: Own calculations based on data from Eurostat.

tlement, migration pressure must be evenly distributed to reduce resentment and promote EU-wide solidarity. To achieve these goals, the age and education level of refugees must be taken into account. In this context, we discuss existing approaches to refugee distribution to determine how the inclusion of these factors can better address skills shortages, facilitate integration, and ensure fair burden-sharing between EU member states and for the future design of the common migration policy.

AGE AND EDUCATION LEVEL OF REFUGEES ACROSS EUROPEAN COUNTRIES AND THEIR POSSIBLE ECONOMIC, SOCIAL, AND POLITICAL IMPACT

A fair distribution of refugees across EU countries – including young and old, skilled and unskilled migrants – ensures a balanced approach that maximizes collective benefits while minimizing social and economic costs. In this context, it is argued that while younger and better educated refugees often integrate faster, older and less educated refugees can also make an important contribution to optimizing the labor market, social cohesion, and reducing populist sentiment, especially if inclusive policies address their integration problems.

As shown in Table 1, there were significant differences in refugee demographics among European countries in 2023. In general, the EU average shows a gradual decrease in asylum seekers per 1,000 inhabitants with increasing age, with the highest concentration in the younger cohort (15–24 years). This

is to be expected as younger refugees often make up a significant proportion of asylum flows due to their greater mobility and adaptability. However, the educational distribution within the individual age groups reveals strong inequalities. For example, those with lower levels of education (0–2) are consistently over-represented compared to those with higher levels of education (5–8), particularly in countries such as Germany and Sweden. In both countries, the number of refugees is significantly higher across most age groups and education levels, reflecting their more open asylum policies.

In countries such as Italy and Spain, on the other hand, the numbers are extremely low across all cohorts and education levels. The low numbers in Italy, despite being a major country of entry for refugees into Europe and receiving a high number of first arrivals, are mostly because many asylum seekers see the country as a transit country on their way to Northern or Western Europe. This movement is facilitated by the difficulties in enforcing the Dublin Regulation, which requires asylum applications to be made in the first EU country of entry. This is compounded by Italy's national reception system, which focuses more on border management than long-term integration. Croatia and Sweden are home to a relatively older migrant population, which could put a strain on pension and healthcare systems. Sweden, Luxembourg, and the Netherlands stand out as having some of the best educational profiles in their refugee populations, showing that countries with strong integration strategies and economic opportunities are more successful in attracting and retaining highly educated refugees.

The data in Table 1 highlights the mismatch between the demographic needs of countries and the age and education profiles of incoming refugees, which calls into question the fairness and effectiveness of current distribution mechanisms. However, they also highlight the potential for successful integration of refugees by harnessing their adaptability and capacity to address skills gaps and meet the demands of the labor market. Younger and educated refugees are often given preference because they can adapt quickly to economic needs (Hashimoto 2018). However, older and less educated migrants also play a crucial role in low-skilled sectors such as agriculture, construction, and care, which are also important for economic stability, especially in ageing societies. While these roles are undervalued, they are essential in addressing labor shortages that go beyond high-skilled sectors (Fasani and Mazza 2024). Tailored training programs can also improve the productivity and self-reliance of refugees with lower levels of education, reduce dependence on welfare systems, and increase their economic contribution. In addition, host countries can benefit from the diverse informal skills and entrepreneurial potential of older refugees (Kirkwood 2009).

Reducing bureaucracy and speeding up the process of recognizing formal educational qualifications have become crucial factors in optimizing the labor market in host countries. The slow assessment of foreign qualifications delays access to suitable jobs and creates a discrepancy that wastes human capital and reduces the economic benefits that immigrants can bring to host countries (Friedberg 2000; Brücker et al. 2019). Inconsistent recognition systems in EU countries further exacerbate these problems, as decentralized frameworks often lead to unequal treatment of refugees' qualifications. Harmonization of recognition standards, particularly at the EU level, has been proposed as a solution to streamline these processes and reduce bureaucratic inefficiencies (Liebig and Tronstad 2018). In addition, innovative approaches such as the validation of informal skills or work experience, which allow refugees to demonstrate their skills through workplace assessments while undergoing further training or certification (Desiderio 2016), can help refugees to close formal education gaps.

Older and less educated refugees often face greater integration challenges, particularly in language acquisition and cultural adaptation. However, programs that provide targeted support for these groups – such as community engagement initiatives, vocational training, and accessible language courses – promote social cohesion by reducing their marginalization. The inclusion of these groups can also strengthen public perceptions of fairness and allay fears that only “ideal,” i. e., young and well educated, migrants will be supported. The presence of diverse refugee demographics, including families with older members, helps to humanize migration, break ste-

reotypes, and foster empathy among the local population (Mewes and Mau 2013). This helps to reduce social polarization and create inclusive communities.

Refugees and migrants are often perceived more negatively than empirical reality warrants, which contributes significantly to the rise of populism in host countries. A major reason for this perception is the fear that refugees pose an economic and cultural threat, although there is ample evidence that these fears are often exaggerated or misplaced (Schubert et al. 2023; Jaschke et al. 2021). Fear of competition in the labor market, especially among low-skilled natives, is a key concern. Refugees are often perceived as depressing wages and displacing workers in low-skilled sectors, although research suggests that their overall impact on employment and wages of natives is minimal (Dustmann et al. 2008). Economic theory suggests that the skills of refugees, if they complement the existing workforce, can increase productivity and lead to wage increases for locals. However, this is often overshadowed by populist rhetoric that simplifies and reinforces fears of economic displacement (Edo et al. 2019).

The disproportionately high visibility of refugees in the social welfare systems also contributes to the negative perception. Refugees are mainly perceived as net recipients of public benefits, which contributes to the impression that they are a burden on taxpayers, regardless of their education, skills, or age. This perception persists despite long-term studies showing that well-integrated refugees often transition from welfare dependency to net contributors to the economy through taxes and consumption (Alesina et al. 2018).

These economic fears are compounded by cultural fears, as refugees are seen as a challenge to national identity and social cohesion, particularly in communities that have little experience of diversity (Dustmann and Preston 2007). Populist leaders exploit these fears by portraying migration as a zero-sum game in which natives must compete with refugees for scarce resources, fostering resentment and polarization. Targeted measures that connect refugees with jobs that match their skills not only improve their self-sufficiency, but also show the public the mutual economic benefits of integration (Brücker et al. 2019). Furthermore, interaction between refugees and host communities promotes mutual understanding, reducing the “us versus them” dynamic exploited by populists (Putnam 2007).

Populist sentiment also feeds on the perception that migration imposes unequal burdens on individual countries or disproportionately benefits selected groups such as political elites, globalists, etc. (Bolet 2020). A fair distribution that includes a balanced mix of young and old, skilled and unskilled migrants ensures that no single country or community bears an excessive share of the responsibility. Such fairness can reduce resentment among the native population and reduce the appeal of populist narratives.

Table 2

Refugee Distribution Models

Model	Labor market optimization	Social cohesion	Reduction of populist sentiment
Aggregated indicator model	Allows for some adjustment to labor needs if the unemployment rate is sufficiently weighted, but lacks flexibility in matching skills.	Offers only limited opportunities to take social cohesion into account, as social resistance is generally not included in the metric.	Low impact; may unintentionally reinforce populist sentiment if perceived as unfair or overly simplistic.
Partial ordering model	Maintains granularity and allows detailed adjustment of the labor market by unemployment rate and demographic factors such as age or education level.	Supports social cohesion by incorporating the migration preferences of the population while considering social resistance.	The transparent consideration of several indicators counteracts populist sentiment and reduces the impression of unfairness. Explicit consideration of social resistance ensures that countries with a strong rejection of refugees are not overburdened.
Normalized population model	Ensures equitable distribution based on the size of the country's population, which indirectly balances the impact on the labor market.	Focuses on equity but can neglect direct metrics of social cohesion without additional indicators.	Reduces populist sentiment by ensuring proportionality and fairness in allocations. However, the limited consideration of social attitudes or resistance may still leave gaps for exploitation of the population in areas with strong rejection of refugees, especially if large numbers of refugees are allocated to relatively hostile regions.
College admissions (CA) model	Promotes mutual matching of preferences, which could optimize labor market outcomes but risks favoring selective refugees.	Limits social cohesion, as countries may prioritize economically desirable refugees over social compatibility.	Reduces populist sentiment in countries that achieve good agreement. However, there is a risk that populism and Euroscepticism will be stoked in countries that feel that their preferences are being overlooked or perceive unfairness, reinforcing the narrative of lost sovereignty or inequity.
School choice (SC) model	Favors the benefits of refugees and thus indirectly supports the adjustment to the labor market for those who have qualifications and education.	Promotes social cohesion by emphasizing the needs of refugees and minimizing the bias of the host country.	Reduces populist sentiment by limiting discriminatory privileges of the host country and focusing on the vulnerability of refugees, but leads to allocations that are not in line with societal expectations. Populists may exploit the fact that refugees are perceived as incompatible with local culture, labor market needs, or social norms.

Source: Authors' compilation.

REFUGEE DISTRIBUTION MODELS

The allocation of refugees across countries is a serious policy challenge that has led to the development of various models to achieve fairness and efficiency. The European Commission's "aggregate indicators model" uses weighted metrics, including population size, GDP, unemployment rate, and historical asylum intake, to create a composite score for ranking countries. While straightforward, this approach suffers from oversimplification due to the compensation effect, where the strengths of one indicator can offset the weaknesses of another. This leads to potentially sub-optimal distributions. In addition, fixed weightings limit flexibility and adaptability to different refugee needs or evolving conditions in host countries (Carlsen 2016).

An alternative is the "partial ordering model," which avoids the aggregation of indicators and thus preserves the relevance of each individual aspect. This

approach uses multiple combinations of indicators, such as adjusted net national income (ANNI), population size, unemployment rate (UeR), and social resilience as measured by the Fragile States Index (FSI), which measures the vulnerability of states to collapse or conflict based on social, economic, and political indicators. The model offers flexibility as countries are ranked based on different combinations of indicators. For example, an approach that emphasizes ANNI and population size highlights economic and demographic capacity, while more comprehensive approaches integrate UeR and FSI to account for labor market readiness and social attitudes. By preserving the diversity of each indicator, the partial ordering provides a detailed and nuanced perspective on each country's capacity, but the increased complexity can lead to challenges in comparability and decision-making (Bruggemann and Carlsen 2011; van Basshuysen 2017).

The “normalized population model” refines these approaches by proportionally adjusting the distribution of refugees based on population size. This ensures a fair allocation in relation to the countries’ absorptive capacity, while considering economic, social, and demographic indicators. For example, countries with a larger population and a stronger economy are assigned a greater responsibility for taking in refugees. This normalization provides a balance between fairness and practicality, ensuring that allocations align with each country’s relative capacity to host refugees (Carlsen 2016).

The “college admissions” (CA) and “school choice” (SC) models provide an additional framework for the allocation of refugees. The CA model takes into account the preferences of both refugees and host countries and aims for stable matches through a deferred acceptance algorithm. While this model fosters mutual preferences, it carries the risk of favoring wealthier or more desirable countries and enabling discriminatory practices by host nations. Conversely, the SC model prioritizes refugees’ preferences and needs, assigning countries based on objective criteria such as vulnerability or family ties. This approach emphasizes fairness and humanitarian principles, reducing opportunities for host countries to cherry-pick refugees but potentially sacrificing efficiency (van Basshuysen 2017).

As shown in Table 2, each model reflects different trade-offs between simplicity, equity, and operational feasibility that affect how the goals of fair distribution of refugees are achieved. Aggregated models offer simplicity but risk oversights, partial ordering models preserve the distinction of different factors but increase complexity, and the normalization type provides proportionate fairness while retaining key insights. Incorporating the CA and SC models adds further flexibility in aligning refugee preferences and needs with host country capacities, ensuring that both integration potential and humanitarian principles are addressed. The partial order model seems best suited to reconcile all objectives, as it is able to take into account differentiated criteria while maintaining fairness and transparency. However, practical and ethical considerations vary from context to context, so a tailored approach to specific integration objectives is required.

Recent research and discussions, including our article, highlight the potential of including refugee characteristics such as age and education level to improve distribution models. It has been repeatedly shown that younger and better educated refugees integrate more easily and meet the needs of the labor market in host countries. However, prioritizing these factors raises ethical concerns in the EU, as it could disadvantage vulnerable groups such as older or less educated refugees, whose integration and protection needs may be greater and more urgent. The balance between these demographic considerations and humanitarian priorities remains a critical

area for ongoing research and policy refinement (van Basshuysen 2017).

POLICY CONCLUSIONS

The unequal distribution of responsibility for refugees and asylum seekers among EU member states under the “Dublin system,” coupled with frequent non-compliance with its rules, has long been a contentious issue within the Common European Asylum System. This imbalance has put disproportionate pressure on member states at the EU’s external borders, stoking political tensions and undermining solidarity across the bloc. The new Pact on Migration and Asylum seeks to address these shortcomings by introducing a binding but flexible solidarity mechanism. Under this system, member states are required to contribute through resettlement, financial support, or in-kind assistance.

Although this mechanism represents significant progress, it is still controversial. The retention of the “first country of entry” criterion continues to place a greater burden on border states and raises the question of whether the new system will really result in a fairer distribution of responsibility. In addition, the Pact introduces an annual cycle for the management of migration flows, setting out specific steps to identify member states under pressure and assess their support needs. This approach includes a comprehensive assessment of migration trends, reception capacities, and asylum infrastructure, and provides a more structured basis for solidarity.

Nevertheless, these measures alone may not be sufficient to tackle the deeper socio-economic challenges or promote greater cohesion within the EU. Coordinated action at the EU level to improve access to education, language courses, and employment opportunities for migrants is crucial. Such initiatives would not only enhance their integration into the host society, but also help to reduce public resistance to migration by demonstrating tangible benefits to host communities.

A particularly promising approach is to take age and education levels into account when deciding on the distribution of refugees as part of a future common EU refugee and asylum policy. This strategy could match the profiles of refugees with the demographic and labor market needs of host countries, creating a more effective integration process that benefits both refugees and their new communities. However, this approach also brings with it ethical and practical challenges. Prioritizing refugees based on these criteria risks sidelining those with greater humanitarian needs and creating a hierarchy that favors those deemed “economically viable” over those in urgent need of protection. Such a system could undermine the humanitarian principles underpinning asylum policy and promote inequality among refugees.

Balancing these competing priorities requires careful consideration. Policymakers must ensure that

the inclusion of age and education level in distribution mechanisms improves integration outcomes without compromising humanitarian values. To achieve this, a refugee distribution model must be perceived as fair both in individual member states and across the EU. Overcoming social resistance will be crucial, and transparent public communication strategies must accompany this policy. Highlighting the contribution of refugees to society can help counter populist narratives and encourage support for policies that uphold both humanitarian principles and practical benefits for host communities

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Why All Benefit When Refugees Enjoy the EU's Freedom of Movement

KEY MESSAGES

- It is unwise and unproductive to impose asylum regulations that do not fully consider the resources and ambitions of refugees
- The 2016 Asylum and Migration Management Regulation (AMMR) does not solve the main problem: responsibilities lie with the country of first arrival
- The new accelerated border regime on the EU's external borders is likely to fail or create serious human rights concerns
- It would be wise to take the experiences with the Temporary Protection Directive (TPD) and its freedom of movement for Ukrainian refugees as best practice
- Recognized refugees should immediately have the freedom of movement as enjoyed by EU nationals

The 15 member states that concluded the 1997 Amsterdam Treaty decided that asylum and migration had to become subject of the EU's body of law, i.e., a joint responsibility. Since then, agreements were reached regarding mobility and regular migration, and a Common European Asylum System (CEAS) gradually took shape. This is built upon several directives, including one for temporary protection in case of mass displacement (which remained dormant until 2022) and two regulations. Where the agreements regarding migration are not particularly contentious those of the CEAS are, notably in their implementation where national governments remain important actors. This has dire consequences for the functioning as a truly joint endeavor, and for the protection and integration of refugees.

It is the latter issue this contribution seeks to focus on.

It is unwise and unproductive to impose asylum regulations that do not fully consider the resources and ambitions of refugees and their preferred destination country. Not doing so creates management failures embodied by so-called secondary movements, both before and after the asylum adjudication process is completed. Arriving asylum seekers who have

good reasons to seek resettlement in a particular state, because of cultural proximity or social networks, have more ease integrating than if they are forced to remain in their first country of arrival, as the CEAS's Dublin Regulation demands, although exceptions can be made when close relatives are already residing in another member state. Therefore, refugees may want to avoid being identified at arrival and be able to file their asylum application in their preferred destination country.

Having refugees learn a new language or their educational qualifications not recognized is a waste of human capital and increases welfare spending. In case states are not able or willing to provide welfare and other support (like housing or education), recognized refugees can use their freedom of travel to enter any other member state and attempt to reapply. This happens in substantial numbers with refugees recognized in Greece who are experiencing lack of opportunities and support. Immigration authorities are reassessing such applications because Greece's poor human rights record makes involuntary returns legally impossible. These are further secondary movements unforeseen by the CEAS.

The EU member states have agreed to replace the Dublin Regulation, presently the CEAS's cornerstone, with the Asylum and Migration Management Regulation (AMMR) in 2016. This is not likely to offer outcomes very different from today's as it retains the first country of arrival's responsibilities. This almost by definition puts the onus of reception and possible integration of refugees on the countries lying on the EU's periphery. This is not in the interest of these states' governments (unless they seek to invoke a sense of crisis for populist political gain). They pursue two types of solutions to this problem. Greece border authorities push back asylum seekers arriving by boat through the Aegean Sea or trying to arrive through the Turkish border. Since this is utterly illegal, the authorities deny any such actions. Italy opts for a different solution. It seems to ignore its obligations under the Dublin and Eurodac Regulations by letting potential asylum seekers through and thus enabling them to file for protection elsewhere in the EU. With Germany being a popular destination, political rhetoric from the German political middle to the right posits that Germany should reduce such unregulated immigration whilst also pursuing regulated labor migration. For the time being, the government imposes border checks, which are largely of a symbolic nature.

This problem is not new. Before the so-called refugee "crisis" of 2015–2016, the Dublin and Eurodac



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Regulations were also to varying extents ignored by border countries. To counter the “crisis,” “hot spots” were introduced in Italy and on the Aegean Islands. Notably the latter became notorious for detaining asylum seekers for months and often years under inhumane conditions before their case was heard and adjudicated. Meanwhile the European Council in 2015 worked out a quota system for a fair distribution of refugees between the member states. Such a solution was found and accepted by a majority of votes, which legally speaking was enough. However, some Central European states refused to comply and act in solidarity, thus effectively killing that agreement. The EU-Turkey Statement of May 2016 seemed to have solved the issue by bringing the numbers of arrivals down. With hindsight, we know this was a temporary lull and not a permanent fix and so the solidarity challenge between the EU’s member states resurfaced. The AMMR offers the solution of presenting member states options for flexible solidarity, which may mean not taking in a fair share of people but giving financial or other support to those states that do.

The AMMR goes hand in hand with a new accelerated border regime on the EU’s external borders where swift identification of asylum seekers and other migrants is to take place. To this end, reception and detention hubs will appear on those borders where the legal fiction is to be created that migrants have not yet reached EU territory. We do not know what this will look like in terms of under whose authority these centers will be run nor how they will be able to cope with large influxes, but if the experiences with the Greek “hot spots” are anything to go by, this may well prove challenging and may easily result in human rights issues. There are many more uncertainties, but should the stated aim of offering swift asylum proceedings and correct outcomes be realized, important gains would be made over the often-tardy national procedures of the present.

Tardiness is not only a feature of the asylum procedures, which is detrimental to future integration because of hospitalization effects. To take the Dutch case: it may take over a year before a request can be heard and months longer before a decision has been reached. Subsequently, the refugee needs to be able to move from the asylum reception facility. For this, regular social housing needs to become available. This may take many months. During this time the integration process, which is mandatory, cannot commence. Once it starts, refugees have to invest time in learning the language, and employment at this stage is rare. Usually, refugees enter the labor market only after the conclusion of their integration program, which takes up to three years. A cohort study of Syrian refugees shows that seven years after their arrival, 42 percent had found employment. Of those, 57 percent worked part-time and therefore are likely still in need of governmental support.

In view of this non-exhaustive list of challenges and drawbacks of the asylum process as we know at

present, it appears smart to remove obstacles that keep refugees from rapid integration, first and foremost in education and the labor market. It would then be wise to take the experiences with the CEAS’s previously dormant 2001 Temporary Protection Directive (TPD) for the benefit of displaced Ukrainians. The TPD offers them complete freedom of movement and access to support in every member state. This can be understood as a superior practice for it does not impose the logic of state sovereignty. Instead, it offers perfect space for the refugee’s own agency. In other words, they self-select instead of being subjected to a CEAS-informed selection. In effect, Ukrainians moved to where their networks reached. The largest populations (over 100,000) are presently found in Poland, the Czech Republic, Germany, Romania, Slovakia, Spain, Ireland, Italy, and the Netherlands and little if any contention in these countries has arisen, nor have there been attempts at “passing the bucket” on to the neighbors. To varying extents, integration appears to run smoothly.

Comparing the Netherlands with Germany, we see a surprising difference in labor market participation rates for Ukrainian refugees. In the Dutch case, already in 2023 close to 60 percent of Ukrainians are in employment; in Germany, this stood at a mere 16 percent and is currently at 27 percent. It is not entirely clear how this difference can be explained but it should be mentioned that welfare levels in Germany are equal for German citizens and Ukrainians. Furthermore, the German government’s aim seems to encourage settlement of Ukrainian families and is offering integration programs, whereas the Dutch government expects large-scale repatriations once the war is over and is less generous with welfare provisions, which increases the necessity to find work. The main point here is not that German policies are misguided, but rather that immediate access to employment can be a very significant contributor to successful integration. Refugees whose access to the labor market is seriously delayed because of governmental interventions, like the Syrians in the Netherlands, are doing considerably worse than the Ukrainians with their immediate entrée to work.

POLICY CONCLUSIONS

Above are excellent reasons for offering recognized refugees the freedom of movement as enjoyed by EU nationals who then can fully apply their utility on the European labor market while not necessarily having (immediate) access to welfare. This ought to go hand in hand with swift asylum adjudication. The flexible solidarity mechanism regarding reception, as foreseen under the AMMR, needs then to be applied solely but generously in support of those refugees who, because of vulnerabilities, needs, or other reasons, cannot fully benefit from the freedom to seek and take up employment. This is not a plea for the abolishment of

integration programs, on the contrary. These can be valuable and necessary tools towards optimal labor market integration once refugees have found their own way into European societies. And there is one other lesson we must draw from the TPD. A temporary measure is an appropriate response to an emergency but becomes counterproductive if it results in prolonged uncertainties. Even when another prolongation is agreed upon, this should not keep member states from opening avenues towards durable settlement.

Precisely a quarter of a century ago, at the 1999 Tampere Council Summit implementing the Amsterdam Treaty and creating the CEAS, the joint ambitions included this conclusion (#15): “In the longer term, Community rules should lead to a common asylum procedure and a uniform status for those who are granted asylum valid throughout the Union.” So perhaps it is high time.

Piotr Lewandowski

Occupational Downgrading, Job Tasks, and the Return Intentions of the Ukrainian Refugees in Poland

Following Russia's invasion of Ukraine on February 24, 2022, Poland swiftly welcomed over a million Ukrainian refugees, providing them with immediate access to the labor market and social safety nets. With only a Polish ID number required, many refugees could integrate into the workforce quickly, thanks partly to Poland's strong economic performance and labor shortages. However, Poland provided minimal integration services and no dedicated benefits. In 2024, the employment rate of Ukrainian refugees in Poland remains high, in the range of 55–65 percent, notably exceeding rates seen in Western European countries like Germany and Austria. However, most refugees are employed in low-skilled, elementary occupations, with around 40 percent reporting feeling overskilled for their jobs. Key issues that arise are the extent of occupational downgrading and task degradation compared to the work they did in Ukraine, what factors drive these trends, and how these conditions influence their plans to stay in Poland or return to Ukraine.

In our paper (Lewandowski et al. 2025), we examine the occupational trajectories of Ukrainian refugees, quantify changes in the routine task intensity (RTI) of their jobs before and after forced migration, and explore how these changes relate to their intentions to return to Ukraine. Our analysis is based on a custom survey conducted online in February and March 2023, a collaboration between the Institute for Structural Research (IBS) and the Centre of Migration Research (OBM) at Warsaw University. The survey sampled 1,360 individuals, including 1,034 Ukrainian war refugees, 994 of whom were of working age (18–65 years).

Using a survey instrument modeled on the Programme for the International Assessment of Adult Competencies (PIAAC), we quantified job tasks and constructed a worker-level measure of RTI by applying a method from Lewandowski et al. (2022). RTI rises with the importance of routine tasks – whether manual or cognitive – that are structured, repetitive, and prone to automation, while it falls with the relevance of non-routine tasks that require creativity, analytical thinking, management, education, interpersonal interaction, and spatial awareness. This task-based framework, often used by economists to study occupational developments (Acemoglu and Autor 2011), has shown that more routine intensive work, meaning higher RTI, is generally linked to lower productivity and lower wages (Autor and Handel 2013; de la Rica et al. 2020).

KEY MESSAGES

- **Ukrainian refugees in Poland have a high employment rate (55–65 percent), but most work in low-skilled jobs, with around 40 percent feeling overskilled compared to their qualifications**
- **Refugees face a marked increase in routine task intensity (RTI) in Poland, performing more repetitive, less skill-intensive work than in Ukraine (“task degradation”). This is particularly true for those with tertiary education or poor Polish language skills**
- **Task degradation has influenced many refugees to reconsider staying in Poland. By 2023, 20 percent of refugees who initially planned to stay in 2022 expressed intentions to return to Ukraine – the stronger the task degradation, the more likely this change in plans**
- **Poland's limited integration policies and weak support for skill alignment have hindered refugees' ability to secure jobs matching their qualifications. This poses long-term risks for both refugees and Poland's labor market**
- **Addressing skill mismatches, improving language training, and providing pathways to skilled jobs could enhance refugees' contributions to Poland and prepare them for meaningful roles upon returning to Ukraine**

By comparing job tasks performed in refugees' current jobs in Poland with those from their last job in Ukraine, we can assess occupational downgrading and how the composition of tasks in refugees' post-migration jobs differs from the nature of work they did before the war.

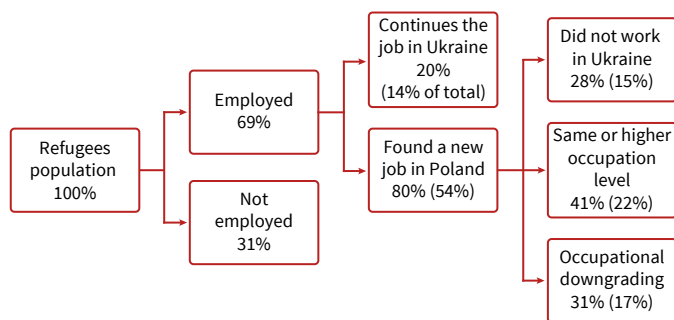
Our study has three key findings. First, a notable 20 percent of employed Ukrainian refugees – equivalent to 14 percent of working-age refugees – continue working in the same jobs they held in Ukraine (Figure 1). This share is significantly higher than in Western European countries, and possibly unprecedented. Our multinomial logit regressions indicate that refugees with tertiary education, those with some Polish



Piotr Lewandowski

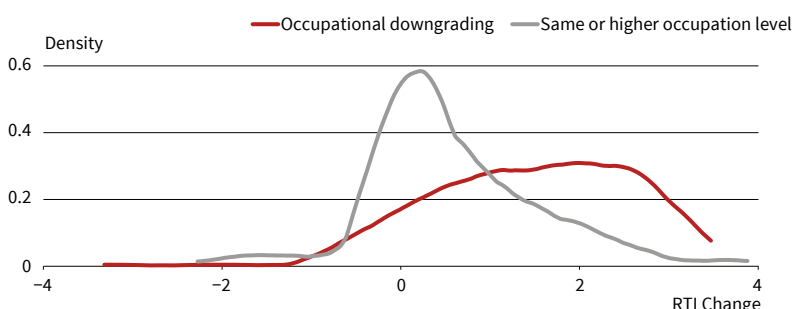
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Figure 1
Occupational Trajectories of Ukrainian War Refugees in Poland



Source: Lewandowski et al. (2025). © ifo Institute

Figure 2
Task Degradation Among Refugees¹



¹ The difference between routine task intensity (RTI) of a job found in Poland and the last job performed in Ukraine before fleeing to Poland. Source: Lewandowski et al. (2025). © ifo Institute

language skills, and those from more affluent regions of Ukraine are more likely to retain their previous jobs. These individuals may benefit from the normalization of remote work, which became more widespread during the Covid-19 pandemic, allowing them to maintain their professional status and networks. Additionally, they can take advantage of Poland’s lower living costs compared to most Western European countries.

Second, occupational downgrading and task degradation are widespread among Ukrainian refugees in Poland. Many refugees who previously held jobs in Ukraine have found employment in less skill-intensive roles in Poland (Figure 1). This downgrading is especially common among those who worked in managerial, professional, or technical positions in Ukraine, with 50 percent moving into lower-skilled occupations in Poland. Older refugees and those with limited Polish language skills are more likely to experience this downward shift.

Third, task degradation is closely linked to a growing willingness among Ukrainian refugees to return to Ukraine, particularly among those who initially intended to stay in Poland. Drawing on data from our 2022 survey, we analyzed changes in refugees’ intentions to either remain in Poland or return home. In 2022, around 60 percent of refugees planned to stay in Poland. However, by 2023, about 20 percent of these “stayers” (13 percent of all refugees) had reconsidered and expressed a desire to return to Ukraine. Our findings suggest task degradation plays a key role in

this shift: the more routine-intensive a refugee’s job in Poland is compared to their job in Ukraine, the more likely they are to change their plans and seek a return by 2023 (Table 1). This effect remains statistically significant even when controlling for earnings (which are negatively correlated with changing return plans) and occupational downgrading (which is positively correlated). This indicates that deeper task degradation – marked by underutilization of skills and reduced job autonomy – can influence decisions about settling in a new country, independent of income considerations.

As Poland is a relatively new immigrant destination, it offers easy access to the labor market but lacks strong labor market policies or an integration framework (Górny and Kaczmarczyk 2019). This weak policy environment may result in an opportunity lost, as many refugees are not acquiring new skills that could be valuable upon their return to Ukraine after the war. However, the concentration of migrants in low-skilled jobs and underutilization of their skills is a more general challenge of the Polish migration framework.

For decades, Poland was an emigration country, particularly after its 2004 EU accession triggered massive emigration to Western Europe. In the early 2010s, about 2.5 million Poles resided abroad while – according to the 2011 census – only 110,000 foreigners lived in Poland (Górny and Kaczmarczyk 2019). Immigration to Poland accelerated after the 2014 war in Eastern Ukraine (Donbas) and soon became large-scale thanks to Poland’s strong economic growth, gaping labour shortages, and the government’s liberal approach to the inflow of migrant workers from the post-Soviet countries. In the late 2010s, Poland became the OECD country with the largest annual inflow of temporary labor migrants, with Ukrainians being a dominant group (OECD 2021). The majority of these migrant workers performed rather simple jobs in agriculture, construction, services, and manufacturing, despite gradually increasing shares of tertiary educated workers. (Kowalik et al. 2024) estimated that about 40 percent of Ukrainian gig workers in taxi or delivery services have at least a bachelor’s degree. While the background of increasingly numerous migrants from Central Asia, India, Nepal, and Bangladesh is much less understood, the work permit data show their strong concentration in elementary occupations. As these groups face larger language barriers in Poland than Ukrainians, occupational upgrading is likely even more challenging for them.

It is worth noting that overeducation, underutilization of skills, and occupational mismatch affect migrants across Europe. Immigrants in the EU, particularly those from non-EU countries, are significantly more likely to be overeducated than natives (Dalmonte et al. 2024), more often work in fields that do not correspond to their education, and tend to have lower job quality (Lange et al. 2024). Still, these challenges are particularly acute in Poland and other Central and Eastern European countries with underdeveloped integration systems.

POLICY CONCLUSIONS

Ukrainian refugees in Poland have faced significant occupational downgrading and many of them report subjective overskilling, meaning many are working in jobs below their nominal qualifications. Even when they find employment in similar occupations to those they held in Ukraine, the jobs are often more routine-intensive. This task degradation has been associated with a decline in the refugees' willingness to stay in Poland, particularly among those who initially wanted to remain in the country after arriving in 2022. Occupational downgrading of migrants is common in most destinations as migrants may lack human capital due, among other things, to lower schooling quality in home countries, language barriers, or obstacles to formal recognition of qualifications. Still, our findings suggest that performing less advanced tasks after migration may feel like a deprivation that goes beyond occupational downgrading. The Ukrainian refugees who are discouraged by it from staying in Poland may put less effort into integration.

In the 1990s, Germany granted temporary protection to 700,000 refugees from the war in the former Yugoslavia. By the 2000s, many returning refugees helped strengthen economic ties between their home countries and Germany, bringing mutual benefits. Those who worked in high-skilled occupations that facilitated the transfer of knowledge, technology, and best practices were key drivers of this positive change (Bahar et al. 2022).

Unfortunately, the current employment patterns of Ukrainian refugees in Poland are unlikely to produce similar long-term benefits. To unlock such potential, public policy should focus on addressing skill mismatches, supporting language learning, and helping refugees find jobs that align with their qualifications and education. In Poland, this would require serious effort and funding to increase public employment services' ability to support migrants, speed the recognition of education, and create institutional support for societal integration, especially since Poland had not built integration infrastructure before the full-scale Russian invasion.

The multifaceted challenges of refugee integration demand close collaboration among central and regional administrations as well as civil society. However, the draft migration strategy recently unveiled by the Polish government has largely framed migration issues in terms of "regaining control and ensuring security" and was introduced without public consultation. Highlighting Poland's national sovereignty and drawing strong cultural boundaries has long dominated Polish governments' narrative on migration (Drewski and Gerhards 2024). Still, doubling down on this approach in the current context does not bode well for the future of a more proactive approach to the labor market integration of migrants in Poland. The challenges of integrating Ukrainian refugees

Table 1

Average Marginal Effects for RTI Change between the Job in Poland and the Last Job in Ukraine

Return intentions in 2022/2023	dy/dx	std. err.	P> z
Did not want to return in 2022 and 2023	-0.055	0.033	0.098
Did not want to return in 2022,wants to return in 2023	0.035*	0.014	0.015
Wanted to return in 2022, do not want to return in 2023	0.007	0.021	0.748
Wanted to return in 2022 and 2023	0.013	0.032	0.690

Note: * p<0.05.

Source: Lewandowski et al. (2025).

into the labor market observed in Poland, such as occupational downgrading and skill underutilization, highlight the risks of uneven integration frameworks across EU member states. Coordinated EU policies could address these disparities by facilitating the recognition of qualifications, supporting skill-aligned job placements, and standardizing access to integration services like language training.

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Yuriy Gorodnichenko and Daniel Gros

Ukraine Refugees: From Temporary Protection to Encouraging Return to Support the Ukrainian Economy

KEY MESSAGES

- **War of attrition. President Trump's promises of a quick end to the war are unlikely to come true. German and European policy must shift from providing temporary protection to supporting a productive return to support the Ukrainian economy**
- **At present many Ukrainian refugees still require substantial financial support from their host country. This is particularly the case in Germany, with the fiscal cost sapping popular support for Ukraine**
- **Ukraine needs people to strengthen its economy, including the ramping up of domestic production of weapons and machinery. A productive return thus yields a double dividend**
- **German and European enterprises should be encouraged to start producing in Ukraine by providing them with a guarantee against bomb damage. European FDI in Ukraine, in particular by German SMEs, could provide returning refugees with productive jobs**
- **Encouraging the productive return of refugees would also make sense in the unlikely event of a near-term cessation of hostilities**

ADAPTING POLICY TO THE PERSPECTIVE OF A LONG WAR OF ATTRITION

After Russia launched a full-scale invasion of Ukraine on February 24, 2022, millions of Ukrainians found refuge in the European Union. Germany and Poland hosted more than one million refugees each. After three years of war, and with no end in sight, despite promised attempts by US President Trump, the initial plan to provide temporary homes to Ukrainians needs to be revisited as the war of attrition calls for more durable solutions.

Indeed, President Zelenskyy repeatedly emphasized that Ukraine needs its people back to support the war effort as well as to ensure that the country is not depopulated after the war. These needs are urgent. Many businesses report shortages of labor as a key limiting factor. The population is projected to decline from more than 40 million before the war to approximately 31 million in 2034.

FISCAL PRESSURES

At the same time, fiscal pressures mount on governments, thus igniting public discussions, especially in Germany, regarding the high cost of supporting the refugees. The German federal government alone spends about EUR 9–10 billion annually to support Ukrainian refugees, and more spending is financed by lower levels of government (“Länder” and local authorities).

Official data suggest that 1.3 million Ukrainian citizens live in Germany, of which 730,000 are of working age (two-thirds women); 119,000 have “normal” jobs (paying social security) and another 37,000 have so-called “mini-jobs.” These statistics indicate two key facts. First, Ukrainian refugees in Germany have a low employment rate, of around 25 percent, compared to 50–60 percent for those from Iraq and other Middle Eastern source countries. This is partially due to the prevalence of women among the Ukrainian refugee population. Male refugees generally have a higher employment rate. Among the Ukrainian refugees, especially those of working age, women naturally dominate (about 70 percent), which is the opposite of most other source countries. Second, employment rates for Ukrainian refugees are higher elsewhere in the EU, at more than 60 percent in Poland, Czechia, and other countries hosting large populations of Ukrainians. Third, a large part of the non-working population of the refugees relies on the German social security system. A German newspaper reports on an internal report from the Bundestag that a single Ukrainian can count on about EUR 950 per month (“Bürgergeld” plus rent support). A single mother with one child gets probably closer to EUR 1,300 per month, or approximately EUR 15,000 per year. By comparison, in Austria a single person gets around EUR 420 per month, in Italy and France between EUR 300 and 400 per month, implying about EUR 4,000–5,000 per year. The language barrier and German labor market regulations obviously play a role in low employment rates, but the generous support also blunts incentives to get a job (and find daycare for children).

The relatively high employment rates of Ukrainian refugees in other EU countries has come at a cost: many Ukrainians are highly skilled, but have had to accept low-skilled, unstable (and relatively low-paid) jobs. The German strategy aims first at providing

Ukrainians with the necessary language skills and then matching their skills to German requirements so that they can aspire to more stable high-skilled jobs. But both processes have taken a lot of time because of the limited availability of language courses and general rigidities of the German labor market. Unfortunately, these problems continue, which explains why the employment rate of Ukrainian refugees is increasing only very slowly in Germany.

At any rate, the increasing needs for manpower (or rather womanpower, as a majority of Ukrainian refugees are female) to support the war effort at home warrants a strategic rethink. The new approach should be based on the recognition that Ukraine needs people and Germany needs to control costs. Of course, humanitarian considerations have primacy, but we would argue that there is a possibility here to hit two birds with one stone.

THE UKRAINIAN LABOR MARKET

The Ukrainian labor market reflects the ongoing shift to a war economy. This shift is still ongoing and because of the war, labor market statistics are sparse and unreliable. But some basic facts can be deduced from various proxy measures. First, work.ua, a major online aggregator of job vacancies in Ukraine, reports that the average wage for a job posting in July 2024 is UAH 20,500 per month, which is close to EUR 500 per month. Taking into account lower prices in Ukraine, the real purchasing power might be similar to aid in Germany.

Wages have been rapidly increasing (real wages are projected to increase by 8 percent in 2024) as businesses struggle to attract workers. Second, the National Bank of Ukraine estimates the unemployment rate at about 16 percent in mid-2024 (for comparison, the rate was at approximately 29 percent in the early months of the full-scale invasion). There is also a large regional variation in employment rates, with western Ukraine doing significantly better than eastern Ukraine. Third, employment rates for internally displaced people (IDPs) are significantly lower (~44 percent) than the national average (~55 percent), thus suggesting considerable difficulties in integrating IDPs.

All these facts together indicate large frictions in Ukraine's labor market. This should not be surprising. The war has severely damaged infrastructure and severed many ties between suppliers. Ramping up production for the war effort requires different skills than those of a peacetime economy. As domestic production of military material increases, more jobs will need to be filled in Ukraine.

The incentives to work remain intact in Ukraine. A mother with a child that had to flee the eastern part of the country receives about UAH 10,000 (~EUR 220) per month from the Ukrainian government and international agencies, in addition to a housing subsidy. This is less than a Ukrainian wage.

If a similar household moves from Germany to Ukraine, the mother will have a much lower income if she relies on local public aid, even if the gap is reduced by at least a factor of two when adjusted for cost-of-living differences. However, if she were to obtain a job, especially one with a foreign company, which generally pay higher wages, she might even be marginally better off. Provided there are jobs at home, refugees might thus no longer face a high disincentive to return. At the same time, the German government would save about EUR 10,000 on an annual basis, thus freeing up considerable resources that may be used to help refugees in their reinsertion and Ukraine in other ways.

HEIMWEH

Returning to one's motherland is not a decision made purely on financial grounds. The Ifo Institute has since 2022 regularly polled Ukrainian refugees in Germany about their intentions to return or stay. Initially about two-thirds wanted to return when it is safe. This percentage has since fallen to about 50 percent. This means that there is still a significant proportion of refugees that would return when they consider it safe. The result of the polling also revealed that what matters is not so much the severity of bombing at the local level but the overall situation, since local difficulties redirect return but do not deter it. The key issue is thus to find ways to make return more attractive, at least to those areas of Ukraine considered relatively more secure.

A NEW APPROACH: SUPPORT FOR REINSERTION INSTEAD OF SOCIAL TRANSFERS

Encouraging return can be achieved by shifting from social transfers to support for reinsertion in Ukraine ("Wiedereingliederungshilfe statt Bürgergeld") to incentivize Ukrainians to return home and by providing support for German enterprises that invest in safer parts of Ukraine. Shifting toward support for reinsertion and investment in Ukraine would yield a double dividend inasmuch as Ukraine's economy grows and expenditure for social support in Germany is no longer needed.

The German government could thus offer Ukrainian refugees support for reinsertion. Returning home after a long absence, especially if their home-



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town has been destroyed, will be a difficult process in many cases. Support for reinsertion in the form of a couple of monthly payments would thus be entirely appropriate. But the return will benefit Ukraine only if the returnee has a realistic chance of finding a job. This is where the second pillar comes in.

German industry, including the “Mittelstand,” is interested in producing in Ukraine. For example, Leoni Wiring Systems UA GmbH employed more than 7,000 workers in western Ukraine before the war. In 2023, Bayer committed to invest EUR 60 million in Pochuiky, Ukraine. Any investment in Ukraine faces two problems: war risk and the lack of qualified German-speaking personnel. War risk will remain a problem for a long time. It might not be an insurmountable obstacle for a large multinational company like Bayer. But a Mittelstand firm cannot shoulder this risk alone. It does not make sense to wait for a peace settlement before starting to rebuild the Ukrainian manufacturing sector. Some form of war insurance will have to be provided by either German or EU sources (e.g., KfW or EIB). Direct risk of destruction is in any case limited for small factories located at some distance from the front.

The lack of qualified German-speaking personnel could be alleviated if the German government were willing to support a combination of training courses and relocation aid. The large number of refugees that have gone through at least some German language training should provide a large pool for such a program.

The German government should thus create a new program under which it provides German enterprises with a package of insurance coverage and financing for the training of Ukrainians living at present in Germany who would be offered a job in the new factories in Ukraine. Linking relocation to a job in Ukraine would ensure that the return does not constitute a burden for Ukrainian public finances that are already under enormous strain.

Concerns about security and housing are tightly intertwined. As of May 2024, more than 8.6 percent of Ukraine’s housing stock was destroyed, mostly in the eastern part of the country. A massive influx of IDPs increased housing prices in western Ukraine, where there has been relatively little destruction, but smaller towns in this region remain affordable. Investment in this region can hit two birds with one stone. First, vacant homes can house returnees. Second, the logic of the war favors either decentralization of production or fortified clusters of production. The latter is appropriate for steel mills and similar large-scale production processes. The former is better suited for small and medium enterprises, i.e., operations of German Mittelstand companies, and thus can be targeted and scaled by the program we describe above.

STRATEGIC CONSIDERATIONS

This program can provide longer-term benefits for Ukraine too. Western Ukraine was historically less developed than other parts of the country. But the center of Ukraine’s economic gravity has been shifting to the west as most of the heavy industry in the east has been destroyed and EU membership beckons.

Fostering a combination of return and investment from the EU, especially from small or medium-sized enterprises, can accelerate the integration of Ukraine into the European economy. History also suggests that areas with a strong presence of small and medium-sized enterprises are more resilient to economic shocks and thus potentially provide a more durable model of economic development. The rise of Italy’s Veneto region is an inspiring success story.

In summary, while the reconstruction of Ukraine is often envisioned to happen after the war, we believe that rebuilding the Ukrainian manufacturing sector should commence now. This process will not only increase the capacity of Ukraine to resist Russian aggression, but also plant the seeds of Ukraine’s future integration into the European Union. The tragedy of Ukrainian refugees may be turned into an opportunity to build economic ties and make Europe stronger. Our proposal to direct funds to investment and refugee reinsertion into Ukraine is a step in this direction.

POLICY CONCLUSIONS

When Russia started a full-scale invasion of Ukraine in 2022, Europe provided shelter for millions of refugees. The perspective then was to provide temporary support in a sudden emergency. With the war now one of attrition, policy must look at the longer run. Here, the key issue is to strengthen the Ukrainian economy. The country needs the potential productive capacity of these refugees. But a combination of financial support in EU countries and limited job opportunities at home does not encourage refugees to return home. We propose a package of measures that provides refugees with incentives to return for and businesses with support for investment in Ukraine to create the job opportunities that returning refugees need.

This approach should be seen in the wider picture of the stronger European support for Ukraine needed given the uncertainty about US policy. The package we propose should be seen a part and parcel of the EU’s overall Ukraine policy, which has to encompass not only continuing financial and military support but also measures to strengthen the long-term economic potential of Ukraine.

Sebastian Beer, Brian Erard, Matthias Kasper and Erich Kirchler

Tax Audits and Their Effects on Tax Compliance

TAX AUDITS AS AN INSTRUMENT TO DETER TAX EVASION

The US Internal Revenue Service (IRS) estimates that individual income tax filers underreported their taxes by an average of USD 278 billion annually between 2014 and 2016, representing 16.7 percent of taxes owed (Internal Revenue Service 2022). Tax audits play a key role in reducing this gap. Besides serving as a means to verify compliance and assess unreported taxes, audits also deter underreporting across the broader population, a concept known as the “general deterrent effect.” Additionally, individuals who experience an audit often increase their reported income in subsequent years, a phenomenon termed the “specific deterrent effect.”

Audits are typically envisioned as intense face-to-face interactions with tax examiners. However, the reality has shifted dramatically in the US and elsewhere, with most individual income tax audits now being conducted via mail-based “correspondence audits.” This represents a stark contrast to the 1990s, when over 80 percent of IRS audits were conducted in person (Figure 1). By 2023, around 85 percent of audits were handled through correspondence. This shift was likely driven both by cost considerations during tightening budget constraints – the average face-to-face audit costs USD 6,418, compared to just USD 564 for a correspondence audit (Boning et al. 2024) – and by advancements in digitalization and artificial intelligence, which have increased the scope for more automated approaches to tax enforcement.

Beer et al. (2024) provide a detailed account of the compliance responses of US small business taxpayers to operational tax enforcement, contrasting face-to-face and correspondence audits. Previous empirical evaluations have mostly focused on random audit programs involving face-to-face audits (e.g., Boning et al. 2024; Advani et al. 2023), or the effects of correspondence audits targeted at isolated issues (e.g., Hebous et al. 2023; Grana et al. 2024; Guyton et al. 2019). However, the specific deterrent effect of correspondence audits has received limited attention so far.

WHY SHOULD AUDITS AFFECT POST-AUDIT TAX COMPLIANCE?

The basic economic model of tax compliance (Allingham and Sandmo 1972) provides limited guidance

KEY MESSAGES

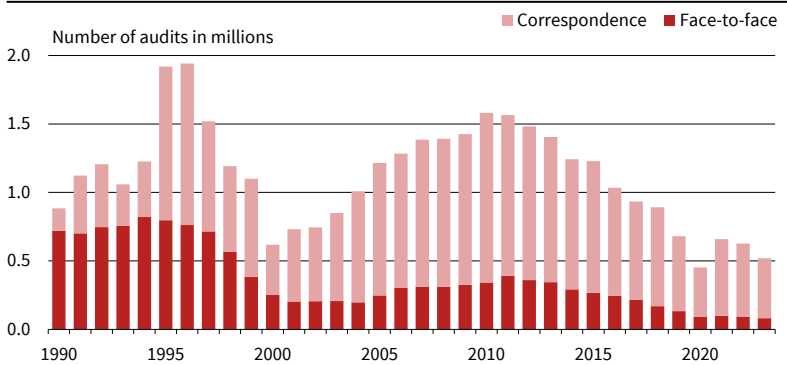
- Tax administrations increasingly use audits via mail (correspondence audits) to audit taxpayers
- Correspondence audits are cheaper than face-to-face audits but their effects on compliance are unclear
- We investigate the effects of correspondence and face-to-face audits on post-audit tax reporting
- We find that face-to-face audits generally have strong positive effects on subsequent compliance
- Correspondence audits sometimes reduce compliance, impacting the optimal balance between audit types

on how audits affect future reporting behavior: all parameters, including taxable income, tax rates, the audit rate, and penalties on unreported income, are assumed to be fixed and known with certainty. As a result, audits provide no new information that would alter future reporting behavior.

However, modifying the standard model to incorporate uncertainty or additional taxpayer motivations introduces causal pathways for “specific deterrence.” For instance, audits may lead to a heightened perception of future audit risk, prompting taxpayers to report more accurately (Kasper and Rablen 2023). Conversely, the “bomb-crater effect,” where taxpayers report less income following an audit, has been observed in experimental settings (Guala and Mittone 2006). This behavior is often attributed to a mistaken belief that the chance of receiving a second consecutive audit – akin to another bomb landing in the same crater – is exceptionally low.

Several theories provide an explanation why audits can influence future taxpayer behavior beyond their effect on perceived audit risk. These include motivations to recover losses (Maciejovsky et al. 2007), dynamic reporting considerations (Engel and Hines 1999), uncertainty about one’s tax liability (Scotchmer and Slemrod 1989), the tax authority’s capacity to detect noncompliance (Kasper and Alm 2022; Lancee et al. 2023), or indirectly through an audit’s impact on tax morale (Feld and Frey 2003). However, these models fail to provide a clear and unambiguous prediction of whether audits deter or encourage future noncompliance, with outcomes depending on the models’ underlying assumptions.

Figure 1
Allocation of Audit Types in the United States



Note: Audits of individual income tax returns.
Source: IRS; authors' calculations. © ifo Institute

Audit effects may also vary by audit mode. Face-to-face audits are typically more thorough and direct, while correspondence audits are narrower in scope and often perceived as less serious. For example, a survey of known audit recipients finds that while most taxpayers acknowledge having been audited when the examination was conducted face-to-face, the majority claims not to have been audited when it was instead conducted via correspondence (Erard et al. 2019). This suggests that many taxpayers do not perceive a correspondence examination as a genuine audit. In addition, 40 percent of recipients fail to respond to IRS correspondence audit notices or the resulting statutory notice of deficiency (National Taxpayer Advocate 2018).

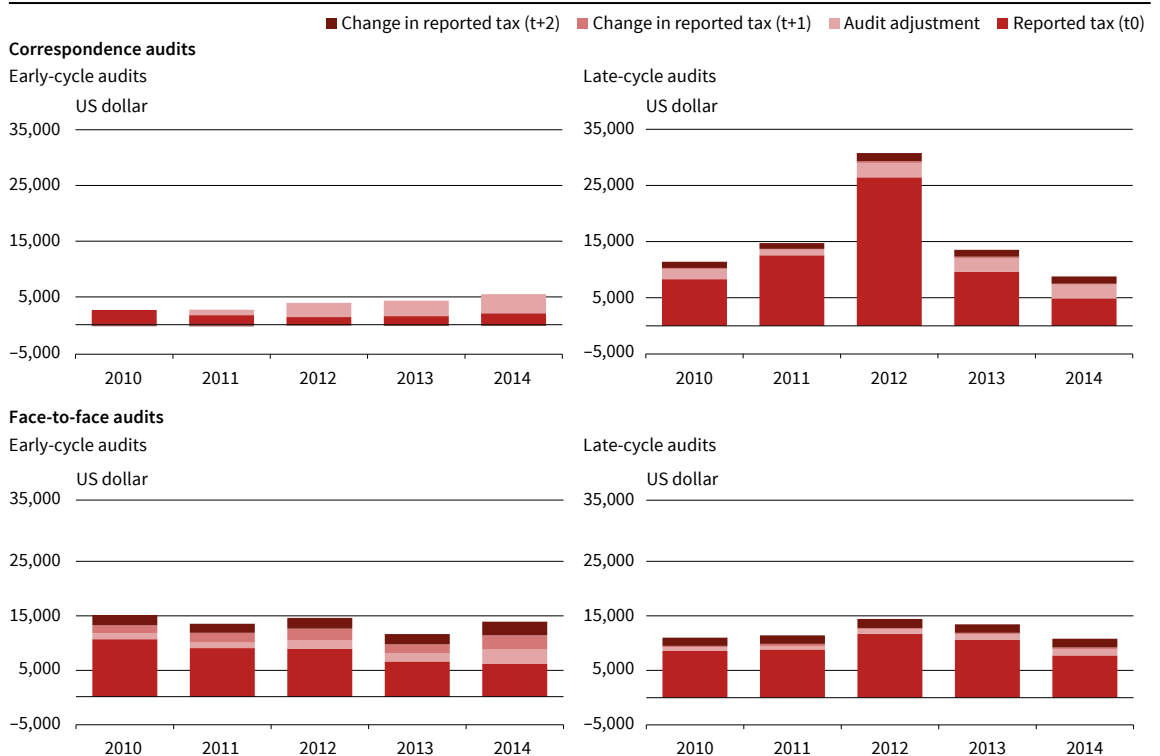
These differences could influence perceptions of audit risk, trust in the tax authority's ability to detect evasion, and overall tax morale, all of which may shape future compliance. To address this possibility, the authors estimate the specific deterrent effect separately for each type of audit.

ESTIMATING THE EFFECT OF AUDITS ON POST-AUDIT TAX REPORTING

To estimate the compliance effects of face-to-face and correspondence audits, Beer et al. (2024) analyze administrative data that contains granular tax return information together with risk scores used for audit selection. In particular, the data includes detailed line-item information from each tax return filed for the reference audit year, the three prior years, and the two subsequent years. The data sample covers the tax years 2007 through 2016, with the main analysis focusing on the effects of audits of tax year 2014 returns, the most recent audit year in the data. In this year, the sample comprises a total of about 380,000 self-employed taxpayers, including over 3,000 who received a face-to-face audit, almost 14,000 who received a correspondence audit, and 360,000 who were not subjected to an audit for that year.

To estimate the effects of face-to-face and correspondence audits on future reporting behavior, Beer et al. (2024) compare future tax amounts reported by audited taxpayers to those reported by comparable unaudited taxpayers. The study employs "en-

Figure 2
Direct and Indirect Revenue Effects of Face-to-Face and Correspondence Audits



Source: Authors' calculations. © ifo Institute

trophy balancing,” a method that reweights the data to ensure that audited and unaudited groups match in terms of relevant tax compliance characteristics, including a wide range of audit risk factors.¹ The analysis incorporates over 200 variables derived from tax returns and audit data to provide a robust comparison of audited and unaudited taxpayers. These include details like income levels and past tax reporting behavior, as well as the risk score used by the tax agency to guide its audit selection process.

To account for unobserved time-invariant differences between the audit groups and their balanced comparison groups, the authors then use a difference-in-differences estimation approach. This approach compares the difference in the change of reported taxes (rather than the level of taxes reported) over time between the audit and comparison groups.

Audits are often, though not always, initiated after a subsequent return has been filed. To account for differences in the timing and focus of audits, the authors categorize audits into early- and late-cycle audits. While early-cycle audits are initiated *before* the return for the following tax year has been filed, late-cycle audits are initiated *after* the following year’s tax return was filed, but before the second subsequent return was filed.

RESULTS

Figure 2 summarizes the results on the compliance effects of face-to-face and correspondence audits. It shows the mean amount of reported tax in the year of the audit (t_0), the audit adjustment (i.e., the additional tax assessed in the audit), and changes in reported tax (relative to weighted unaudited taxpayers) in the first ($t+1$) and second ($t+2$) year after the filing of the audited return. For late-cycle audits, the first-year change in reported tax serves as a “placebo test.” In these cases, the audit of the return filed for tax year t_0 (e.g., 2014) started only after the taxpayer filed the return for the next subsequent tax year (e.g., 2015). Therefore, there should be no change in reported tax in $t+1$ (e.g., 2015) in response to late-cycle audits.

The results show that both the audit type as well as the timing of audits affect compliance responses. Face-to-face examinations are consistently effective in improving the future reporting compliance of self-employed taxpayers relative to their unaudited counterparts. For audits of tax returns filed in tax year 2014, the most recent audit year in the data, early-cycle face-to-face audits lead to a substantial increase in reported tax, averaging 42 percent (USD 2,500) over the first two years post-audit. The increase in reported tax after late-cycle face-to-face audits is more moderate, at approximately 21 percent (USD 1,600).

¹ In essence, the technique adjusts the original sample weights within each audit group to the minimum extent required in order to align the distributional attributes of tax compliance characteristics (means, variances, covariances) within that group with those of the corresponding comparison group.

In contrast, the effect of correspondence audits on subsequent tax reporting is more modest and depends strongly on the timing of the audit. The estimates indicate that early-cycle correspondence audits have a counter-deterrent effect, reducing reported tax by 3 percent (USD 71) in the first year and 6 percent (USD 127) in the following year. Late-cycle correspondence audits, however, exhibit a pro-deterrent effect, with reported tax increasing by 26 percent (USD 1,294) in the first year after the audit.

Robustness tests confirm these findings across audits of returns filed from 2010 to 2013. As Figure 2 indicates, compliance responses are remarkably similar in magnitude in all audit years in the sample. Using an alternative inverse propensity score weighting method to identify comparison samples of unaudited returns also yields consistent results for all audit years, corroborating the robustness of the findings.

The factors underlying the observed variation in audit effects remain unclear. The counter-deterrent effect appears only in early-cycle correspondence audits, not late-cycle ones, suggesting that neither the impersonal nature nor the narrow focus of correspondence audits fully explains the phenomenon. The effect is primarily driven by taxpayers who either report no taxable income or fall within the highest positive income quartile (earning over USD 70,000). Additional analyses refute the hypotheses that differences in targeted issues – such as refundable credits for early audits versus business-related issues or other tax credits for later audits – might explain these disparities. A more plausible explanation may thus lie in psychological factors, however more research is needed to better understand the mechanism driving this phenomenon.

POLICY CONCLUSION

Audits potentially serve an important role beyond generating immediate revenue by deterring fu-



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ture tax noncompliance. Empirical studies generally show that audits increase future income reporting, though some laboratory experiments have observed “bomb-crater” effects, and earlier research has identified counter-deterrent effects when audits fail to detect noncompliance (Beer et al. 2020). However, most of this research has focused on random audits, and the role of audit modality has largely been ignored. In practice, tax audits are predominantly risk-based rather than random, and in many countries, there has been a significant shift over time from face-to-face audits to correspondence audits.

Beer et al. (2024) examine the impact of operational tax audits on future reporting behavior, with a focus on differences between correspondence and face-to-face audits. Their findings reveal that face-to-face audits lead to a substantial increase in reported tax in the first two years after the audit, supporting calls to expand enforcement efforts to boost tax collection.

The results also show that the specific deterrent effect of correspondence audits is strongly influenced by the timing of the audit. Correspondence audits conducted later in the audit cycle (after the following year’s tax return is filed) have a similar impact on future reporting behavior as face-to-face audits, both showing a strong pro-deterrent effect. However, early-cycle correspondence audits are linked to a modest counter-deterrent effect – an important finding as approximately half of all correspondence audits occur early in the examination cycle.

Overall, these findings provide important insights for optimal tax enforcement. Correspondence audits provide a cost-effective and scalable instrument for increasing compliance. However, the specific deterrent effect of face-to-face audits is more consistent and larger, which should be acknowledged in cost-benefit evaluations. Further research is needed to understand the differing outcomes between early- and late-cycle correspondence audits, which cannot be explained by differences in the types of tax issues targeted. One area that warrants further investigation is whether the time gap between filing and receiving an audit notice influences taxpayer compliance. More broadly, the findings suggest that further study on the optimal balance between face-to-face and correspondence audits is warranted.

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Mario Liebensteiner, Jakob Losert, Sarah Necker, Florian Neumeier, Jörg Paetzold and Sebastian Wichert

Germany's 9-Euro Ticket: Impact of a Cheap Public Transport Ticket on Mobility Patterns and Infrastructure Quality*

In recent years, several European countries and cities have introduced or discussed significantly discounted or even fare-free tickets for public transportation. For example, Luxembourg has been offering free public transportation since 2020. Austria introduced a “climate ticket” in 2021, which allows purchasers to use all public transportation for EUR 1,095 per year. From June to August 2022, Germany became the first large-area country to introduce an almost fare-free ticket for all nationwide local and regional public transportation for a price of EUR 9 per month; long-distance trains were excluded.

The introduction of the “9-Euro Ticket” was driven by two political motives. On the one hand, the ticket was intended to mitigate the rising cost of living after the start of the Russian offensive war against Ukraine. On the other hand, the 9-Euro Ticket was seen as an instrument to promote the decarbonization of the transportation sector, aiming to increase the use of public transportation. The ticket policy led to substantial fare reductions. For example, the regular monthly fare for public transportation in the city of Hamburg was EUR 112.80, which means that the introduction of the ticket achieved a 92 percent price reduction (ADAC 2021).

Theoretically, lower public transportation fares can have two effects: (i) car trips are shifted to public transportation, and (ii) latent demand is met, allowing for additional trips that were not previously made. In any case, for individuals who were already using public transportation and did not change their travel behavior, the 9-Euro Ticket created windfall benefits. Overall, there is limited evidence on whether such nearly fare-free tickets promote the use of public transportation, and even less on how they affect other modes of transport or overall mobility.

At first glance, the 9-Euro Ticket was considered a great success, with approximately 52 million tickets sold over the entire three-month period. The German government financed the 9-Euro Ticket through regionalization funds, totaling EUR 2.5 billion for the three months. In our study, we examine whether the

* This is an executive, non-technical summary of Liebensteiner et al. (2024).

KEY MESSAGES

- **The 9-Euro Ticket increased public transport use but hardly shifted away from car travel**
- **Train use surged for leisure activities; car use dropped least among commuters**
- **The 9-Euro Ticket led to overcrowding, delaying both regional and non-covered long-distance trains**
- **A rough calculation indicates that the fuel discount minimally impacted our estimates**
- **High costs, low car-to-train shift, and train delays call for other decarbonization strategies**

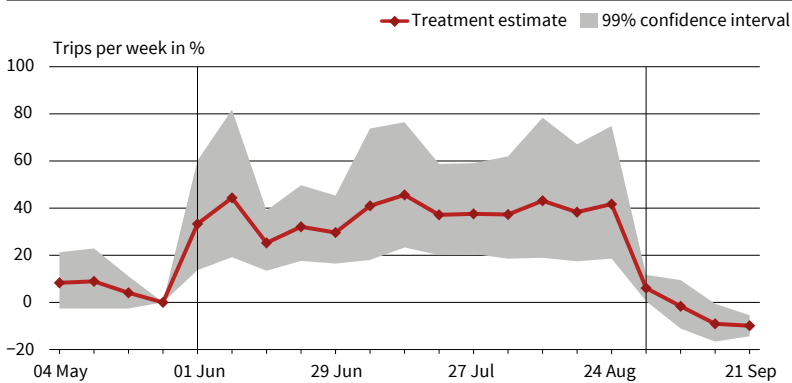
9-Euro Ticket was also successful in changing mobility patterns, specifically shifting from car traffic to public transportation. Additionally, we assess whether the 9-Euro Ticket affected the quality of public transportation infrastructure, particularly regarding train delays.

DATA AND METHODOLOGY

We utilize various innovative and large-scale datasets to empirically estimate the causal effects of the 9-Euro Ticket on mobility and infrastructure quality. First, we analyze mobility data from approximately 10 million anonymized individual trips, tracked via mobile phone movements within the network of the major telecom provider Telefónica O2, and purchased from Teralytics (2024). This dataset includes the number of trips between origins and allows us to distinguish between different modes of transport (train vs. road). It also provides information on the timing of mobility and distance. However, a limitation is that only trips covering distances greater than 30 kilometers are included, which restricts our ability to infer details about short-distance trips (e.g., within cities).

Second, we complement the analysis of road traffic by utilizing administrative traffic volume data from road monitoring stations located on major roads, such

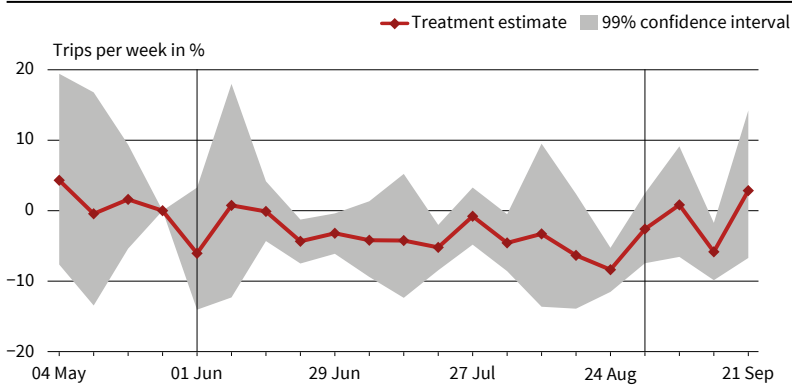
Figure 1
Change in Train Trips: 2022 vs 2019



Source: Authors' calculations.

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Figure 2
Change in Car Trips: 2022 vs 2019



Source: Authors' calculations.

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as difference-in-differences and event studies, to examine changes in mobility before and after the introduction of the 9-Euro Ticket on June 1, 2022, relative to mobility in 2019. The data from 2019 serves as the control group, providing a solid baseline for “normal” mobility patterns not distorted by Covid-19 pandemic restrictions or other extraordinary events such as the energy crisis. The baseline for measuring weekly deviations in 2022 is the difference between the last week of May 2022 and the last week of May 2019, controlling for potential differences in public transport usage between these years. To isolate the effect of the 9-Euro Ticket from other confounding factors that could impact mobility outcomes, we additionally control for temperature, precipitation, holidays, and school vacations, along with cross-sectional (station-specific) and temporal (weekly) fixed effects. This methodology allows for an interpretation of how the 9-Euro Ticket impacted mobility relative to a counterfactual scenario in which the 9-Euro Ticket was not implemented.

PRONOUNCED INCREASE IN TRAIN JOURNEYS, SLIGHT REDUCTION IN CAR TRIPS

Figure 1 illustrates the trend of weekly train journeys in 2022 relative to 2019, based on mobile phone data. The left vertical line marks the week of the introduction of the 9-Euro Ticket (June 1), and the right vertical line marks the week it expired (September 1). We estimate a significant increase in train trips throughout the entire validity period of the ticket. On average, train trips increased by 34 percent relative to what would typically be expected in the months of June to August. Extrapolated for the entire country, this result suggests that the 9-Euro Ticket led to an increase of nearly 430,000 train passengers per day. After the ticket expired in September, the number of train journeys returned to at least the normal baseline level, slightly trending below it.

Figure 2 presents the same analysis for car trips. In contrast to train journeys, only a minor change is observed, with a decrease in car trips of just 4–5 percent over the entire validity period of the 9-Euro Ticket. Overall, these results suggest that the 9-Euro Ticket only slightly encouraged people to switch from cars to trains. However, it is important to note that

as highways and freeways. This data is provided by the Federal Highway Research Institute (BASt 2022) and covers approximately 60 million individual vehicle movements per day, distinguishing between passenger vehicles and trucks.

Third, we analyze a dataset containing information on all scheduled and actual train arrivals at German train stations, distinguishing between regional and long-distance trains. This dataset, purchased from Zugfinder.net (train finder), allows us to assess potential negative impacts of the 9-Euro Ticket on infrastructure, particularly in terms of train delays.

To estimate causal effects, we use econometric methods that enable counterfactual analysis. Specifically, we apply quasi-experimental designs, such



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our mobile-phone-based mobility data covers only trips of at least 30 km. Therefore, this estimate could be considered a lower bound. Our traffic volume data corroborates this finding, indicating that the number of cars recorded at traffic counting stations decreased by approximately 1.4 percent.

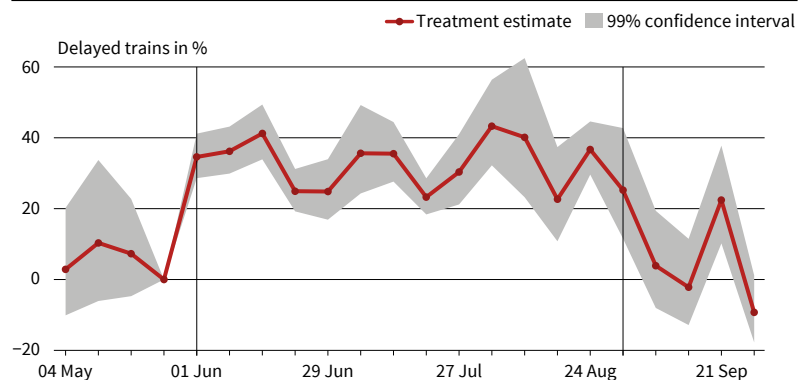
INCREASED DEMAND CAUSED TRAIN DELAYS

The transportation companies were not prepared for the surge in public transport usage. This was reflected in overcrowding, which we measured as train delays. As Figure 3 shows, train delays were consistently higher during the ticket's validity period. With the 9-Euro Ticket, train delays increased by 30 percent. Our results indicate that regional trains experienced the most significant increase in delays, by 41 percent, while long-distance trains, not covered by the 9-Euro Ticket, were also significantly affected, with an additional 18 percent in delays. Beyond extensive margin effects on the number of additional delays, we also find on the intensive margin that the duration of delays was extended by 44 percent. Thus, the 9-Euro Ticket had significant adverse effects on infrastructure quality.

TRAIN TRIPS PARTICULARLY POPULAR FOR LEISURE ACTIVITIES

A key question to consider is the purposes for which the 9-Euro Ticket was used. We examine whether the effects vary based on distance traveled, travel time, and destination. Our detailed heterogeneity analyses indicate that the ticket was used less for long commuting distances, which is plausible given that the 9-Euro Ticket was valid only on regional trains. Moreover, train journeys increased more on weekends. The results also suggest that a significant number of people used the 9-Euro Ticket for additional leisure-related travel, with a particularly pronounced rise in train trips to rural tourist regions. Corresponding with the increased demand, we found that regional trains experienced more delays on weekends. Our findings also indicate that the decrease in car trips during typical commuting hours (Monday to Thursday, 6–9 a.m. and 4–6 p.m.) was minimal, suggesting

Figure 3
Change in Train Delays: 2022 vs 2019



Source: Authors' calculations.

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that commuters are less responsive to an inexpensive public transport ticket.

MINIMAL ESTIMATION BIAS OF A CONFOUNDING FUEL TAX BREAK

In our analysis, a potentially distorting factor could be the simultaneous introduction of a fuel tax discount alongside the 9-Euro Ticket. This fuel tax break provided an incentive for people to drive more. Consequently, our estimates regarding the reduction in car trips attributable to the 9-Euro Ticket might have been larger (i.e., shown a more pronounced decrease in driving) had the fuel discount not been in place. Similarly, the shift to public transportation might have been more substantial if the fuel discount had not existed.

To understand the potential impact of the absence of the fuel discount, we utilized our findings, current fuel prices, and the generally observed reaction of car mobility behavior to price fluctuations (i.e., the car traffic demand elasticity) to estimate what the effects of the 9-Euro Ticket might have been without the fuel discount. It seems that the response of car traffic to changes in fuel prices is relatively inelastic. One reason for this could be that many people were unable to adapt due to the short validity period of only three months (for instance by purchasing a more fuel-efficient vehicle). Moreover, the price reduction for public transport was notably larger than the de-



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crease in fuel prices. The adjustment of our results to account for the fuel discount falls within a low single-digit percentage range. From this, we infer that the fuel discount's influence on the response elicited by the 9-Euro Ticket was likely minimal.

POLICY CONCLUSION

Our study demonstrates that the low-cost, nationwide public transport ticket, while successful in increasing public transportation usage, was not very effective in encouraging a significant shift from car travel to public transport. The increased ridership on public transport appears to have been driven mostly by leisure activities rather than daily commuting. The surge in demand resulted in significant overcrowding and delays within the public transport system. In contrast, commuter car traffic exhibited limited responsiveness to such ticketing initiatives. Despite this, it is possible that the ticket helped reduce living costs for public transport users and enhanced individual utility or well-being, though these aspects were not examined in our study.

Following the widespread popularity of the 9-Euro Ticket, the “Deutschlandticket” was launched as its successor in March 2023. It offers nationwide access to local and regional public transportation at a rate of EUR 49 per month. Our analysis of the 9-Euro Ticket suggests that the significantly higher cost of the Deutschlandticket might not provoke a substantial shift in transportation modes, even with longer-term availability. This ticket is likely to primarily benefit individuals who already frequently use public transport, now at a more affordable rate. This could potentially lead to a redistribution of resources from rural to urban areas, given the existing disparities in public transport services. It remains uncertain whether such an outcome aligns with the intended objectives of policymakers.

Considering the substantial expenditure of EUR 2.5 billion over just three months and the marginal reduction in car traffic, the 9-Euro Ticket emerges as a relatively costly climate protection measure (Andor et al. 2023). Policymakers with goals of decarbonizing the transportation sector should explore alternative strategies and measures that might more effectively drive changes in transportation behaviors and preferences.

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