

RESEARCH NOTE

Ukrainian Refugee Crisis Tests Luxembourg's Humanitarian and Integration Policy

Michel Beine (University of Luxembourg), Frédéric Docquier (LISER), Joël Machado (LISER), Birte Nienaber (University of Luxembourg), Adolfo Sommaribas (University of Luxembourg)

May 30, 2022

Russia's invasion of Ukraine and the resulting sanctions have contributed to accelerating the rise in commodity prices (including energy), triggering inflation, and exacerbating instability in an already convalescent Europe. The war has also sparked a massive refugee crisis, the most impressive in speed and size since World War II, whose economic impact is likely to be significant. As of mid-May, the stock of Ukrainian refugees who have fled their country due to the Russian invasion slightly exceeded 6 million, and some 8 million more were displaced internally.¹ This refugee crisis imposes huge stress on the humanitarian protection regime and reception capacity of most European countries. This is not only the case in frontline countries such as Poland (3.3 million), Romania (0.9 million), Hungary (0.6 million) or Moldova (0.5 million), but also in other EU member states where the numbers of arrivals has almost reached (and sometimes exceeds) the levels of the 2015-16 refugee crisis in two months only. As of early May, the stocks have risen to 610 thousand in Germany, 70 thousand in France, 40 thousand in Belgium and 5 thousand in Luxembourg. These numbers are likely to grow in the coming weeks, as the war is far from over –

UNHCR estimates that the net stock of refugees could reach 8.5 million before the end of the year – and refugees in frontline countries might gradually move to the West.² The questions of how this will affect the economy, how to adapt reception/integration policies, how to monitor integration outcomes are of paramount importance for European member states. This is particularly the case of Luxembourg, where the flow of asylum seekers relative to the population has become one of the highest in OECD countries – the highest after Greece – since 2015 (OECD, 2021).

Refugee crises usually deteriorate economic conditions in the short-run, before inducing long-run gains (Aiyar et al. 2016). The short-run impact materializes through aggregate demand and additional public spending required by the provision of reception and support services (housing, health, education, food, etc.). This usually translates into lower levels of GDP per capita (i.e. GDP increases less rapidly than the population), greater domestic prices, and fiscal costs borne by the host population.³ The medium and long-term impacts improve as labor supply effects and human capital accumulation develop

¹ See <https://www.unhcr.org/>.

² The fact that Ukraine and Russia produced 14% of the global wheat production (and 29% of the wheat exports) might adversely affect income and trigger migration flows from the Middle East and Africa.

³ For example, those reception costs could reach 3% of the Polish GDP in 2022.

gradually. Economic policies conducted at the level of Europe and its member states influence both the speed of adjustment and the size of these effects. So far, quantitative studies have shown limited macroeconomic gains from the 2015-16 refugee crisis – see Burggraeve and Piton (2016) for Belgium, or Brücker et al. (2019) for Germany. Despite the fact that Syrian, Iraqi and Afghan refugees were positively selected (i.e. on average, more educated than non-movers in their origin country) in terms of skills and personal characteristics, their low levels of education and high cultural distance with the host-country society complicated their integration on the labor market. Six years after the crisis, their employment rates in Europe vary between 30 and 40% for men, and are extremely low for women. Luxembourg is no exception, as the labor market integration of humanitarian migrants remains a major challenge (OECD, 2021).

By comparison, the ongoing Ukrainian refugee crisis differs from that of 2015-16 along several dimensions – legal aspects, reception challenges, and integration prospects – and is likely to generate different outcomes. Keeping in mind that many parameters remain highly uncertain, this policy brief discusses the specificities of this crisis, and articulates the need for monitoring its consequences and implementing a solid evidence-based action plan to improve refugees' integration.

First Activation of the Temporary Protection Directive

Let us begin by discussing the legal specificity of this crisis. Given the sudden outflows of refugees, the European Council made the historic decision of granting them immediate protection.

The *Temporary Protection Directive* was adopted in 2001 – in the wake of the Balkan crisis – to help EU member states respond to massive inflows of refugees from non-EU countries, and to promote fair burden sharing in hosting refugees.⁴ Basically, it allows member states to bypass the complexities and delays of the standard asylum and subsidiary protection procedures in providing temporary protection. The directive has never been implemented before. With its first activation,⁵ Ukrainian refugees – as well as their family members, beneficiaries of international protection in Ukraine, and some categories of foreign residents in Ukraine who resided in the country before the 24 February 2022 – benefit from important rights. These mainly consist of:

- A one-year residence permit which can be renewed up to three years if the conflict persists,⁶
- Permission to move to another EU country and decide where to ask for a residence permit or stay certificate (contrary to the Dublin regulation which imposes that the country in which an asylum seeker first submits an application is responsible for treating it);
- Immediate access to employment (subject to rules applicable to the national labor market), professional training, to suitable accommodation/housing, to social welfare or means of subsistence, to medical care, to state education (for persons under 18), to family reunification, and to other services;
- Guarantees for access to the asylum procedure when the status of beneficiary of temporary protection (BTP) will expire.

⁴ Council Directive 2001/55/EC of 20 July 2001 on minimum standards for giving temporary protection in the event of a mass influx of displaced persons and on measures promoting a balance of efforts between Member States in receiving such persons and bearing the consequences thereof URL: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32001L0055>

⁵ Council Implementing Decision (EU) 2022/382 of 4 March 2022 establishing the existence of a mass influx of displaced persons from Ukraine within the meaning of Article 5 of Directive 2001/55/EC and having the effect of introducing temporary protection. URL: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32022D0382>

⁶ Article 4 of the Directive.

The implementation of the *Temporary Protection Directive* poses challenges for Ukrainian refugees and future asylum seekers:

- First, the maximal duration and conditions of renewal of the BTP status vary across member states, which generates some uncertainty as well as potential distortions in destination choices.
- Second, and although access to the standard asylum procedure is accessible after the temporary protection status expires, the conditions in Ukraine will have changed by then. There is no guarantee that BTPs will be allowed to become long-term residents.⁷ The real test will come several years down the road if BTPs ask for a transition to permanent status. They will be exposed to the risk of being uprooted twice.
- Third, it is unclear whether the *Temporary Protection Directive* will be re-activated in the future, even under similar circumstances. It may appear as unfair that the directive could not be activated after the Arab Spring and the conflict in Syria. Its activation must be approved by a qualified majority of EU members in case of massive inflow, but the definition of what a “massive inflow” means is left to the discretion of the European Council. Asylum seekers should not be subject to illegitimate double standards based on their origin, ethnicity, or religion. Whether the implementation of the Directive will serve as the basis for a consistent case law is still uncertain.

An unprecedented inflow of vulnerable people

The second specificity of this crisis relates to the size and composition of refugees’ inflows. End of April, Luxembourg had received 5,125 applications for temporary protection, and granted the BTP

status to 2,511. Like in other countries, women and children – including a growing number of unaccompanied children – make up the majority of Ukrainian refugees. The reason is that men aged 18 to 60 are conscripted into the fight. Out of the 2,511 beneficiaries of temporary protection (BTP), 1,265 were adult women (50%), 947 were minors (38%) and 299 were adult men (12%). These shares are similar in Poland (43% of women, 51% of children, and 3% of men in working age, and 3% of retirees).

Host countries thus face two important reception challenges. The first one relates to the accommodation of a large number of applicants and BTPs. In Luxembourg, nineteen emergency accommodation facilities were set up in the first month of the conflict. They are managed by the *Office National de l’Accueil* (ONA) and its partners (Caritas and Red Cross). These involve 2,315 beds in total. Furthermore, accommodation facilities have been opened throughout the country in the form of hotels, youth hostels, camping sites, cultural centres, industrial and office buildings. These include two reception centers (716 beds), nine emergency accommodation facilities for people who have not yet obtained the temporary protection status or who are awaiting to be relocated (817 beds), and eight dedicated accommodation facilities for beneficiaries of temporary protection (782 beds). Citizens’ extraordinary demonstration of solidarity with Ukrainian refugees has helped solve the public capacity constraints by hosting an important share of Ukrainian refugees in private dwellings.

The second one relates to the composition of refugees’ inflows. Women and children refugees are particularly at risks from human trafficking in both transit and destination countries. Examples of criminal networks seeking to exploit vulnerable evacuees, especially women, have been reported by humanitarian NGOs and international institutions. Promises of free transportation and housing, assistance and easy job offers have been

⁷ If the war goes beyond the three-year temporary protection period, Member States will have to decide whether to regularize these refugees (as was done during the Balkan War).

used to exploit vulnerabilities. Individual perpetrators also took advantage of the unprecedented outpouring of solidarity to propose ill-intentioned and immoral arrangements such as accommodation for sex or other services. National institutions should be in alert. Strong regulations at border crossings and strict supervision of reception practices are required to avoid such criminal abuses.

A stock of human capital to maintain and mobilize

Integrating refugees is always a challenge given the conditions in which their migration decisions were made. With regard to migration motives, fleeing war dominates purely economic and social motives, implying that refugees are much less prepared to integration. In addition, moving costs, risks and violence before and during the journey are such that a large fraction of them can be traumatized when reaching their destination. It is hard to assess whether the mental and physical health of current Ukrainian refugees is better or worse than that of Syrian, Iraqi and Afghan refugees who crossed multiple borders in 2015-16. It seems however likely that their ability to integrate the economy of Western European countries is better.

The first reason relates to the characteristics of the Ukrainian population. Geographical, cultural (religious) and social proximity is a clear distinctive feature that most likely explains why these refugees have been warmly welcomed by host-country populations, and will be less likely to suffer from discrimination. The evidence lies in the fact that Ukrainian adults have skills that favored economic migration to Europe before the war began. Many female economic migrants from Ukraine to Germany, Italy, France, Canada or the

U.S. helped reduce shortages of workers in the sectors of hospitality, assistance to elderly and disabled people, and personal services. The table below compares the characteristics of the Ukrainian population to that of Middle-East countries, of Luxembourg and its neighbors. Participation and employment rates of Ukrainian women are similar to those of Western European countries, and about four times larger than those observed in Middle-East countries. More importantly (and without accounting for the positive selection of refugees), the average level of schooling of Ukrainian women is almost identical to that of Belgian, German or Luxembourgish women, and much greater than that of Middle-East females and males.

Table: Characteristics of the population in the origin country

	Participation rates 15+ (*)		Employment rates 15+ (*)		Years of schooling 25-64 (**)	
	Females	Males	Females	Males	Females	Males
Ukraine	0.48	0.64	0.44	0.58	12.1	11.6
Afghanistan	0.15	0.67	0.12	0.58	1.6	6.1
Iraq	0.11	0.72	0.07	0.64	6.6	8.1
Syria	0.16	0.73	0.12	0.65	6.4	7.8
Luxembourg	0.58	0.66	0.55	0.62	12.3	12.4
Belgium	0.50	0.59	0.47	0.55	12.0	11.7
France	0.52	0.60	0.48	0.55	10.7	10.5
Germany	0.57	0.66	0.55	0.63	12.6	12.9

Note: (*) ILO estimates for the year 2021; (**) Estimates from Barro and Lee for the year 2015.

Second, Ukrainian refugees will have a direct access to labor market. This is likely to ease economic integration as existing literature shows that employment bans on asylum seekers, even when they are meant to be temporary, have long-lasting adverse effects on employment and wages of refugees (Frattini, 2022; Hainmueller et al., 2016). In Luxembourg, employers who wish to hire refugees from Ukraine must register their vacancies with ADEM (the *Agence pour le développement de l'emploi*), and Ukrainian BTPs

can also register as job seeker. ADEM is in charge of facilitating job matches. This does not mean that all refugees are immediately employable, as many of them do not have the language skills to value their competences or they are highly traumatized. In addition, due to parental responsibilities, women who have moved with young children will require childcare services in order to be able to work, which might take time to be organized. However, contrary to other asylum seekers, Ukrainians will not face extra administrative hurdles to integrate in the labor market relative to other migrants (e.g. labor market test). Anecdotal evidence suggests that many women have already started to work in Poland and Canada a few weeks after their arrival.⁸

Third, many Ukrainian women are accompanied with children. Efforts are made to facilitate the continuous education process for the displaced children of Ukraine. Concrete steps can also be taken to integrate and support Ukrainian students and teachers – including international students enrolled in Ukrainian higher education institutions – in the national education systems of the host country. In Luxembourg, newly arrived children are initiated to national languages from an early age, and those joining primary or secondary schools receive intensive language courses (including integration classes in international schools) with the assistance of a Ukrainian speaker. These efforts are vital to forming tomorrow's human capital of aging European countries – in case of permanent migration – or of recovering Ukraine – in case of temporary migration. Even in the case of temporary migration, trained returnees will take advantage of their connection with host countries, which might boost both Ukrainian and European economies through trade, foreign investments

and transnational entrepreneurship (see Bahar et al. 2022).

There is a great deal of uncertainty regarding the number of refugees who will decide to apply for asylum and stay permanently. Among those who moved to frontline countries, about 1.6 million refugees already returned to Ukrainian regions where fighting ceased. The recent number of arrivals and departures are almost balanced.⁹ In the coming months, the decision to stay permanently at destination will be governed by multiple factors such as the length of the war, the destruction of productive and housing capital in Ukraine, the number of deaths, and the perspectives of integration of adults and children. In this uncertain context, providing shelter and primary assistance to refugees are the top priorities, but preparing their long-term integration is also crucial to turn refugees from a cost to an asset. This requires an integration plan as of the first few weeks.

Action plan to ease and monitor the integration of Ukrainian and future refugees

Each crisis reveals some vulnerabilities and triggers creative thinking to make institutions more effective and resilient. Academic research based on past refugee crises reveals that some policies have a strong incidence on their economic and social integration:

- Avoiding (or lifting existing) employment bans has beneficial and long-lasting consequences for economic integration (Frattini, 2022; Hainmueller et al., 2016). The activation of the Directive should be a good thing, as Ukrainian refugees can be immediately hired under statutory employment contracts (permanent or temporary work), subject to the labor legislation.

⁸ See https://www.rmfm24.pl/raporty/raport-wojna-z-rosja/news-uchodzczy-wojenni-z-ukrainy-w-polsce-co-mowia-statystyki,nld,5939893#crp_state=1 for Poland.

⁹ See <https://www.rp.pl/spoleczenstwo/art36122661-uchodzczy-z-ukrainy-chca-do-domu-bilans-przyjazdow-i-wyjazdow-niemal-sie-zrownal>.

Linguistic courses on arrival also help, at least when the number of hours is not too small and not too large – to avoid lock-in trap, i.e. that learners do not miss out on employment opportunities due to their participation in extensive courses (Lochmann et al., 2019; OECD, 2021). This is particularly important for high-skilled refugees who need to value their competences in the host country. Given the multi-language context of Luxembourg, a reflection on what is the optimal supply and duration of language courses for this particular wave of refugees is desirable.

- Access to health services can reduce emotional stress and the risk of post-traumatic diseases, thereby easing economic and social integration (Brücker et al. 2021).
- Fast integration of children in schools and access to daycare services is instrumental to helping women find a job (Gambaro et al. 2021).
- Administrative dispersal policies also matter. In particular, refugees assigned to regions and cities with poor labor market prospects perform less well. Remoteness is likely to hinder transition to residential autonomy and transition to first employment (Dustmann et al. 2016, Brucker et al. 2021).
- Active labor market policies on arrival such as job search assistance and administrative support have drastic effects on employment transition, especially for refugees with low linguistic skills (Battisti et al. 2019).

The effectiveness of integration policies is likely to be context-specific, which may require local policy adjustments. A rigorous evaluation of existing policies and reforms is desirable. This first requires accessing, linking and merging different sorts of data. In Luxembourg, it would be interesting to combine data on the sociodemographic characteristics of refugees (specific survey data, administrative data from the *Direction de l'Immigration*, administrative data from ADEM), data on accommodation and material conditions

(*Office National de l'Accueil*), and wage and employment data (available from the IGSS platform). This would allow assessing how reception conditions such as geographical location and the socio-economic composition of the nearby living environments can affect refugees' integration. Second, by the means of program evaluation, it is important to identify which type of policies and programs work, what can be improved, and what should be reformed. Collaborations between research institutions and ADEM would be helpful to conduct different types of (randomized) interventions and analyze their impact. This would allow to empirically assessing the efficiency of new policies during a pilot-phase before scaling up the programs that prove to be most successful in integrating migrants.

Last but not least, the massive inflow of Ukrainian refugees is likely to reduce the level of organizational, accommodation, administrative and financial resources available to other refugees originating from other parts of the world. It is necessary to prevent this crisis from monopolizing all capacities available, which were already scant. Hence, the collection and merging of data, ex-post empirical analyses as well as policy experiments should be extended to non-Ukrainian refugees. In particular, Luxembourg's experience with refugee inflows since the 1990's provides a setup to study the determinants of the integration of past refugee waves and the efficiency of past public programs. Results from such studies could provide valuable context-specific insights to promote the integration of current (and future) refugee inflows and prepare the country for future crises.

References

Aiyar, S. & B. Barkbu & N. Batini & H. Berger & E. Detragiache & A. Dizioli & C. Ebeke & H. Lin & L. Kaltani & S. Sosa & A. Spilimbergo & P. Topalova (2016). The Refugee Surge in Europe: Economic Challenges. IMF Staff Discussion Note, SDN16/02.

Bahar, D. & A. Hauptmann & C. Özgüzel & H. Rapoport (2022). Migration and post-conflict reconstruction: The effect of refugees on export performance in the former Yugoslavia, *Review of Economics and Statistics*, forthcoming.

Battisti, M. & Y. Giesing & N. Laurentsyeva (2018). Can Job Search Assistance Improve the Labour Market Integration for Refugees? Evidence from a Field Experiment. *Labour Economics* 61, Issue C.

Brücker, H. & P. Jaschke & Y. Kosyakova (2019). Refugee migration to Germany revisited: some lessons on the integration of asylum seekers. Paper presented at the XXI conference of the FRDB.

Burggraeve, K. & C. Piton (2016). The economic consequences of the flow of refugees into Belgium. *Economic Review*, June 2016.

Dustmann, C., & A. Glitz & U. Schönberg & H. Brücker (2016). Referral-based job search networks. *Review of Economic Studies* 83(2), 514–546.

Frattini, T. (2022). Lift the Ban? Initial Employment Restrictions and Refugee Labor Market Outcomes. LISER Policy Brief, 2022-03.

Gambaro, L. & G. Neidhöfer & C.K. Spiess (2021). The effect of early childhood education and care services on the integration of refugee families. *Labour Economics*,

Hainmueller, J. & D. Hangartner & D. Lawrence (2016). When lives are put on hold: lengthy asylum processes decrease employment among refugees. *Science Advances* 2(8), 1-7.

Lochmann, A. & H. Rapoport & B. Speciale (2019). The effect of language training on immigrants' economic integration: Empirical evidence from France. *European Economic Review* 113(C), 265-296.

OECD (2021). *Vers un parcours d'intégration réussi – Le fonctionnement du système d'intégration et ses acteurs au Grand-Duché de Luxembourg*. OECD : Paris.