Refugees' Integration in the Austrian Labour Market:

Occupational Mobility and Job-Skills Mismatch

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Abstract

wiiw publishes a detailed study on occupational mobility and job-skills mismatch of the recent wave of refugees from the Middle East (predominantly from Syria, Iraq, Afghanistan and Iran) in the Austrian labour market. The study is based on two waves of an extensive survey of refugees conducted between December 2017 and May 2019, comprising 1,600 and 2,400 respondents respectively. The following are the key findings:

(i) Occupational mobility analysis suggests a steep decline in 'occupational status' when comparing the last job in the home country and the first job attained in Austria, and a slight recovery afterwards—a 'mirror J' pattern. (ii) The initial decline is particularly strong for persons with tertiary degrees, and for those who worked as professionals, senior officials and managers before leaving their home countries. (iii) Occupational trajectories of female refugees differ from those of their male counterparts in that they experience a steeper occupational downgrade between their last job in the home country and first job in Austria and there is little evidence of an occupational recovery after the initial drop. (iv) In both waves of the survey, about 60% of the respondents regard themselves as 'overqualified' in their current employment; a higher share of males than of females in this self-assessment think of themselves as 'overqualified'. The share of those who think they are 'overqualified' jumps to 70-74% among those with higher educational attainment levels.

Keywords: Refugees, occupational trajectories, job-skills mismatch, Austria, refugees from Middle East, migrants' job-market integration

JEL classification: J15, J24, J61, J62

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INTRODUCTION

Austria received one of the highest **influxes of refugees** (per capita of the host population) in Europe over the years 2014-2016, together with Sweden and Germany. This inflow, the result of the escalating war in Syria and instabilities in other Middle Eastern and Western Asian countries, was unusual for Austria— which has experienced refugee inflows in the past (Hungary, 1956; Czechoslovakia and Poland 1968 and 1971; and Yugoslavia, 1990s)—in that it was the **first significant refugee inflow from outside Europe**. Integrating these refugees into the Austrian economic and sociocultural fabric is a significant challenge as they are diverse in terms of age, religious background, languages spoken and levels of education, and have a greater cultural distance in relation to Austria than was the case for past refugee flows. Experience with this group of refugees is of particular importance, therefore, as **one can expect 'South-North' migration and refugee flows into Europe to become more dominant in the future**.

The current study analyses **two specific issues of the recent refugees' integration into the Austrian labour market**, namely their **occupational trajectory** and the **job-skills match**, both of which—on a priori grounds—are likely to differ from those of the economic migrants who are traditionally analysed. In **contrast to labour migrants**, who move for economic motives, refugees are forced to leave their home countries—often without much preparation. This gives them little opportunity to choose the country of destination according to the transferability and optimal match of their human capital; refugees are typically ill-prepared in terms of language skills, and often lack the necessary papers and certificates (or face difficulties in having these recognised); many refugees have experienced violent and traumatic events in their countries of origin, on the routes of escape or after arrival in the asylum destination country, which makes them more prone to trauma-related mental and physical health problems; usually, they no longer have the option of returning home (to their families); and, typically, they have smaller (if any) pre-existing social networks to fall back on than labour migrants.

All these factors put them at a disadvantage in the adjustment and integration process in the host country, and adversely affect their occupational options when they enter the host country's labour market. However, the special circumstances of their departure from their home country and the **relative irreversibility of their move** might mean that there could be a very high incentive to make a **special effort to readjust** their lives and use available resources for integration into the country that grants asylum.

Conceptually, the process of occupational mobility is commonly explained by the assimilation hypothesis that advocates that **immigrants' occupational mobility follows a U-shaped pattern**, characterised by a decrease in occupational status from the last job in the country of origin to the first job in the destination country and a subsequent increase in occupational status there. The **initial drop in occupational status** is the result of the limited transferability of immigrants' skills, education and

experience acquired prior to migration. The lower the degree of transferability, the more pronounced the drop will be. After migration, however, as immigrants spend more time in the destination country, they invest in and acquire additional human capital and experience that helps them to improve their occupational status and climb up the occupational ladder. Against this, there is the danger of getting stuck in '**occupational (migrants) niches**', which might prevent a significant recovery in occupational status; occupational mobility might then mimic the **mirror-image of a 'J'**. The depth of the initial drop in the 'U' and the shallowness and length of recovery expresses itself also in the subjective experience of a dramatic **'job-skills mismatch'** by the refugees/migrants and represents a major challenge for integration and labour market policies.

The expected pattern of occupational mobility in the case of refugees would thus be the following: a sharp initial decline in occupational status and then a (delayed) either steep or shallow subsequent recovery (following thereby either a **'U' or a 'mirror J' shape**).

We investigated the above hypothesis on the basis of data from **two waves of a large-scale survey (FIMAS) of recognised refugees and persons with subsidiary protection status** (conducted over the periods December 2017 to April 2018 and March to May 2019), mostly from Syria, Afghanistan, Iraq and Iran, resident in Austria.[1] Three waves of the survey are currently available, but the first wave included persons still in asylum application status and the survey questionnaire was also not fully compatible with that used in the other two waves. We shall refer to these below as the second and third waves (or FIMAS+ and FIMAS+2).

Interpreting the results obtained with these data, we should keep in mind that we are capturing **refugees in the early phase of their integration into the Austrian labour market** (the big bulge of Middle Eastern refugees arriving in Austria in 2014-2016). In addition, there was a delay between arrival and obtaining the positive asylum status required for full access to the labour market. We therefore expected to capture with our data predominantly the first sharp fall in occupational status of the **first 'occupational trajectory'** (the survey asked for the type of occupation they had in the country of origin and the first job in Austria) and then a rather shallow recovery in the **second 'occupational trajectory'** (moving from the first job in Austria to the current job, i.e. the job they held at the time of the interview). Given the time horizon covered by these survey waves, we therefore did not expect to capture a possible more accentuated recovery of occupational status which might happen over a longer period of time.
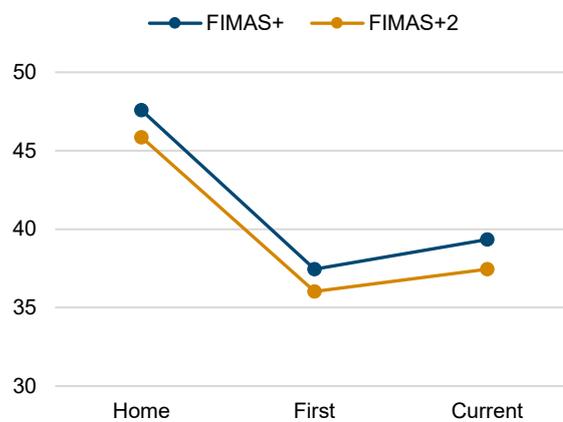
Occupational status was measured using the **International Socio-Economic Index (ISEI)** based on utilising information on evaluations of occupations at the three-digit level ISCO classification for developing and developed economies (for details see accompanying Working Paper).

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[1]   For a detailed description of the FIMAS survey and a discussion of representativeness etc., see the accompanying Working Paper (Leitner and Landesmann, 2020), Hosner and Palinkas (2020), and Baumgartner et al. (2020). The two waves of the surveys covered 1,640 and 2,403 respondents respectively, with the second wave over-sampling women, who were only sparsely represented in the first wave.

RESULTS ON OCCUPATIONAL TRAJECTORIES

Occupational trajectories follow the 'mirror J'-shaped pattern with a pronounced initial loss and a subsequent mild recovery (Figure 1). At the aggregate level, both survey waves show this pattern, with a pronounced initial drop (of around 10 ISEI score points) and a very mild recovery (of around 2 ISEI score points) thereafter. The two survey waves are very similar, both in terms of ISEI score levels and in patterns of occupational trajectories.
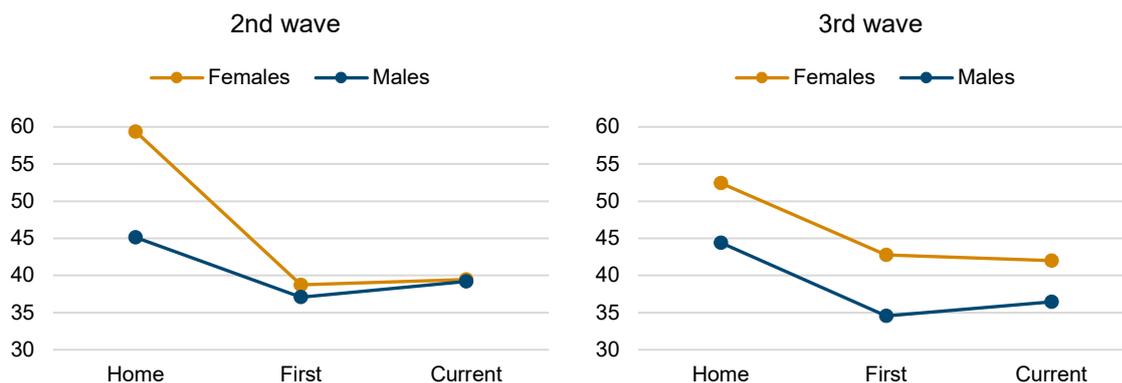
Figure 1 / Occupational trajectories by survey wave

Note: Weighted values are reported.
Sources: FIMAS+ and FIMAS+2; own calculations.

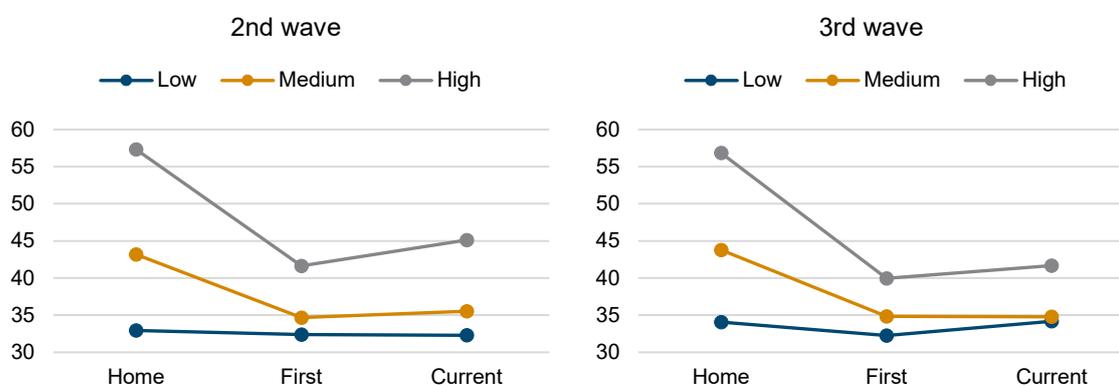**Figure 2 / Occupational trajectories by gender**

Sources: FIMAS+ and FIMAS+2; own calculations.

Occupational trajectories differ between males and females (Figure 2). On the one hand, irrespective of the survey wave considered, occupational trajectories of women tend to lie above those of men, which indicates that, on average, female refugees tend to hold higher-level occupations than male refugees. This is particularly true for the last job in the home country of female refugees of the second survey wave, which lies almost 15 points above that of male refugees. On the other hand, regarding the shapes and patterns of occupational trajectories, those of male refugees follow a relatively

flat U-shaped pattern, with an average initial loss of around 8 to 10 points between the last job in the home country and the first job in Austria, and a mild recovery of around 2 points between the first and current job in Austria. By contrast, occupational trajectories of female refugees experience a much more significant occupational downgrade of around 21 ISEI points between the last job in the home country and the first job in Austria; furthermore, for female refugees there is little evidence of an occupational recovery after the initial drop. Female refugees of the third survey wave even seem to undergo a further occupational downgrade.

The higher a refugee's level of education, the more pronounced is the U-shaped occupational trajectory. A comparison of occupational trajectories across educational attainment levels on arrival shows that, as expected, more highly educated refugees also occupy higher-status jobs, as represented by higher ISEI scores (Figure 3). Furthermore, as is commonly found in the literature, it also shows that the higher the educational attainment level on arrival, the stronger the initial occupational downgrade: from around 57 points to around 40-41 points for highly educated refugees, from around 43 points to around 35 points for medium-educated refugees and from around 33 to 32 points for low-educated refugees. The subsequent occupational recovery from the first to the current job in Austria is limited but generally more pronounced among the highly educated refugees, leading to a more pronounced 'mirror J'-shaped pattern. By contrast, and depending on the survey wave, the subsequent occupational recovery is much weaker—and in part even non-existent—among the medium- and low-educated refugees.

Figure 3 / Occupational trajectories by highest educational attainment level on arrival in Austria

Note: Educational attainment levels are measured based on the ISCED-11 classification and divided into the following three groups: low (ISCED-11 0-2), medium (ISCED-11 3-4) and high (ISCED-11 5-8).
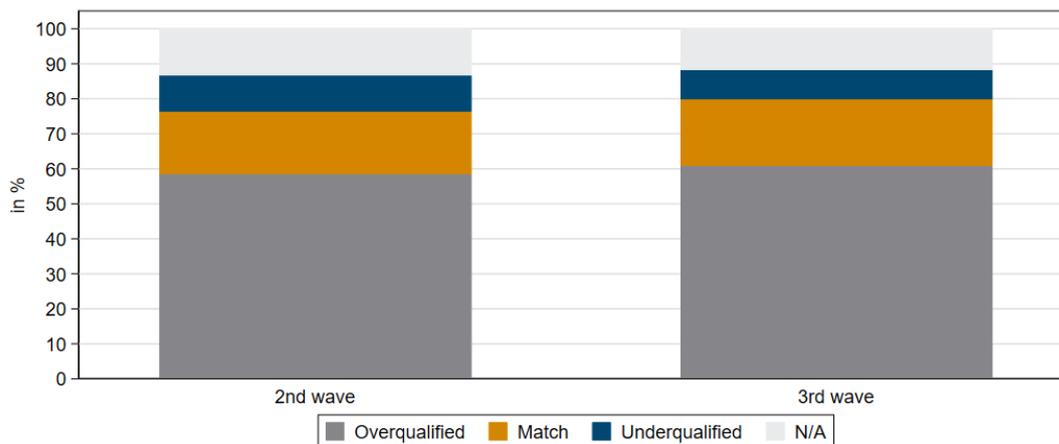Sources: FIMAS+ and FIMAS+2; own calculations.

REFUGEES' SELF-ASSESSMENT OF JOB-SKILLS MISMATCH

The survey questionnaire asked for a self-assessment of whether the job for which they are employed corresponds to the level of their education/training and their work experience. They could reply to this question: (1) '*Yes*'—which we shall refer to in the following as '**match**'; (2) '*No, I do not have the appropriate education/training or work experience for this job*'—which we refer to as '**underqualified**'; (3) '*No, I have a higher level of education/training or more work experience than is required for this job*'—which we refer to as '**overqualified**'.

A very large share of refugees self-assess that they are 'overqualified' in the job in which they are currently employed in Austria. For the sample as a whole, in both waves of the survey around 60% of the persons regard themselves as 'overqualified' with regard to their current employment, with 18-19% reporting that their qualifications and/or work experience match the job they are currently employed in and 8-10% feeling that they are 'underqualified' (Figure 4).
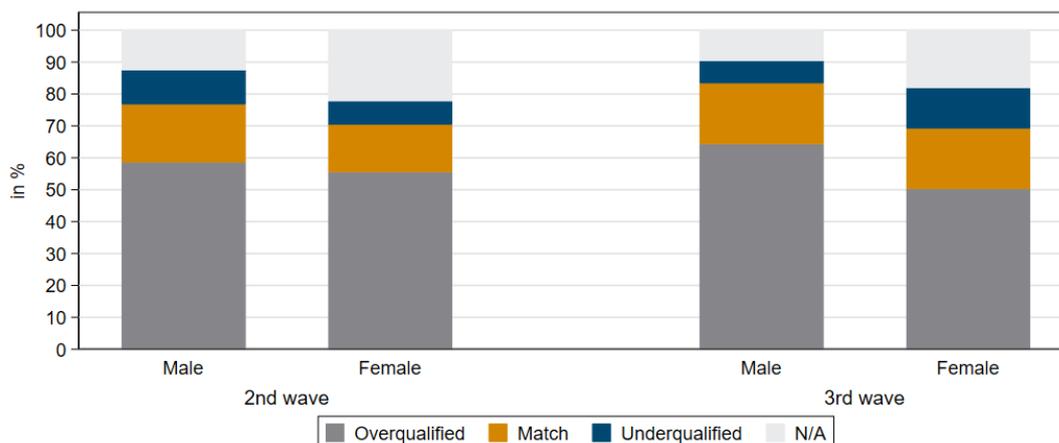
Figure 4 / Job-skills mismatch by survey wave

Sources: FIMAS+ and FIMAS+2; own calculations.

A higher proportion of males think they are overqualified than females (Figure 5). There can be many reasons for such gender differences, such as a difference in subjective self-assessment between males and females, even if they do not differ by objective criteria. One interesting feature is the lower share of females who assess themselves as overqualified in the third wave (and also more women think that their qualifications match their current job); this could be due to the success of specific integration programmes for women, the results of which take some time to show. The third wave also included a higher proportion of women (and also more women who arrived through family reunion), and this also allows a reliable grasp of gender differences.
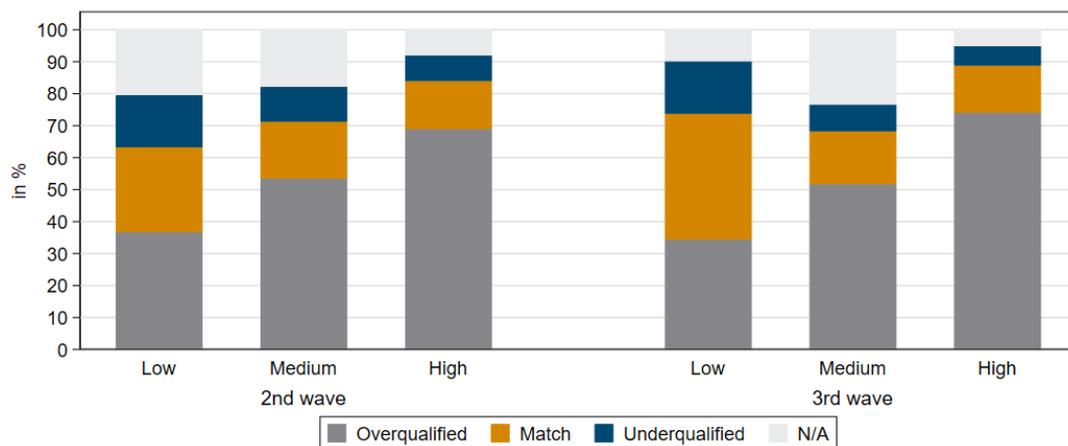
Figure 5 / Job-skills mismatch by gender

Sources: FIMAS+ and FIMAS+2; own calculations.

The higher educational attainment groups show a higher share of persons who feel 'overqualified' in their current jobs (Figure 6). This is as expected, but the share of the highly educated (those with tertiary degrees) who consider themselves overqualified is surprisingly high and has increased from 69% in the second wave to 74% in the third wave. However, the proportion of the low-educated who think that their qualifications and work experience 'match' the jobs for which they are employed has increased from 27% in the second wave to 39% in the third.
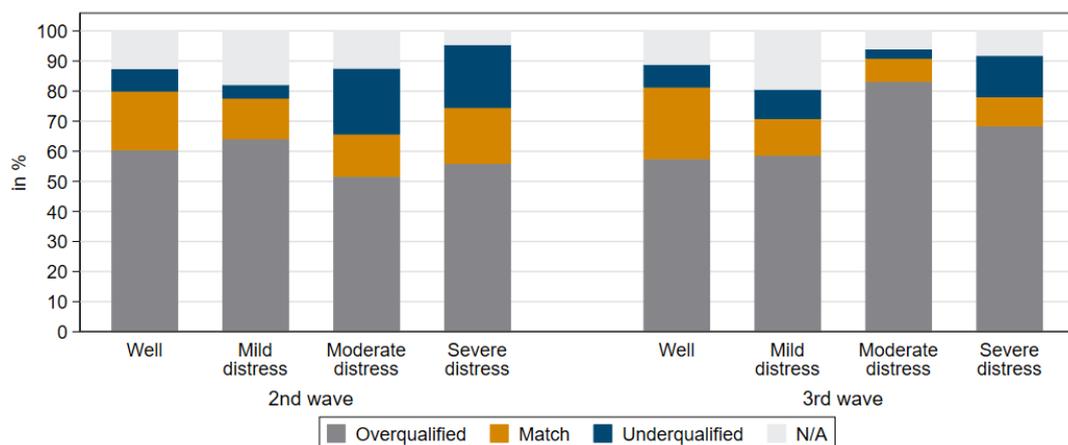
Figure 6 / Job-skills mismatch by highest educational attainment level on arrival in Austria

Note: Low (ISCED-11 0-2), medium (ISCED-11 3-4) and high (ISCED-11 5-8).
Sources: FIMAS+ and FIMAS+2; own calculations.

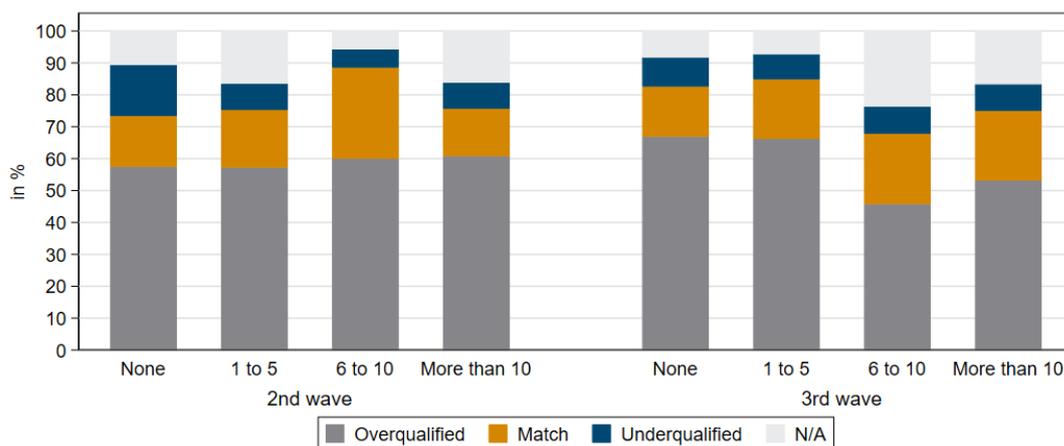**Figure 7 / Job-skills mismatch and mental health**

Note: Mental health is captured by the Kessler Psychological Distress Index (K10), which is based on ten questions about anxiety and depressive symptoms that a person has experienced in the last four weeks and yields a global measure of distress. Responses to the questions are used to calculate a total score which ranges from 10 to 50. People with a score below 20 are considered to be well. People with a score between 20 and 24 are considered to have a mild mental disorder, while those with scores between 25 and 29 are considered to have moderate mental disorder. Finally, scores of 30 and over indicate severe mental disorder.
Sources: FIMAS+ and FIMAS+2; own calculations.

Persons who report moderate or severe stress show different assessments with regard to job-skills (mis)matches in the different waves of the survey (Figure 7). Although the results regarding stress and its relationship to job-skills (self-)assessment differ in the two waves of the survey, it is nonetheless interesting to point to some of these. In the second wave, a relatively high share of those who report moderate or severe stress report also that they feel 'underqualified' for the jobs they are doing. An interpretation of this could be that the feeling of lacking the necessary skills or job experience contributes to that mental stress. Conversely, however, especially in the third wave, persons with moderate or severe stress show a significantly higher share who feel 'overqualified' for the jobs they are doing, leading to the opposite interpretation that the (subjective) experience of 'overqualification' also contributes to mental stress. We mention these contradictory results and interpretations, to point to further analysis investigating the relationship between experiences at work and mental health that needs to be undertaken on the basis of the surveys. For an analysis using data from the second survey wave, see Leitner et al. (2019).

Social integration with the host population can reduce job-skills mismatch (Figure 8). In the third wave, a significantly lower share of people report that they are 'overqualified' in their jobs among those who mention that they have a larger network of people from the host population with whom they have regular contact. Furthermore, in the second wave, a higher share of those with regular contacts with six to ten persons from the host population also declare that their qualifications and experience match the job requirement. Both these findings indicate that a wider social network with the host population goes along with a better job-skills match.

Figure 8 / Job-skills mismatch and social integration: networks with Austrians (number of persons)

Sources: FIMAS+ and FIMAS+2; own calculations.

CONCLUDING REMARKS AND POLICY IMPLICATIONS

The study provides evidence for the early phases of 'occupational mobility' of the recent refugee wave that came to Austria from Syria, Iraq, Afghanistan and Iran. The study confirmed a pattern that is characterised by a steep decline in the first 'occupational trajectory' (from jobs held in the home country to first job in Austria) and a very shallow recovery in the second phase of this trajectory (from first job in Austria to 'current job', i.e. job at the time of the survey). In contrast to observations over a longer time horizon (and with respect to most studies that covered the case of economic migrants), **the recent wave of refugees faces the challenge of a 'mirror J' pattern of occupational mobility**, i.e. a very steep initial decline in occupational status when first entering the Austrian labour market, followed by a protracted phase of a shallow recovery.

This goes along with a **strong self-assessment by a very high share of the refugees who think that they are 'overqualified' for the jobs in which they are currently employed in Austria**. Both the initial decline of occupational status and the self-assessment of overqualification is significantly more pronounced among people with higher educational attainment. A more detailed occupational analysis (also reported in the accompanying study), showed that the occupational loss was particularly strong for refugees who worked as professionals, senior officials and managers before leaving their home countries and who then, in their first job in Austria, mainly worked as service and sales workers or in elementary occupations (a few became skilled agricultural workers). In contrast, in the second transition, from first to current job in Austria, refugees who worked in elementary occupations in their first job in Austria underwent the most widespread upward mobility, with almost 20% moving to a service and sales job and around 10-12% becoming technicians and associated professionals or plant and machine operators and assemblers. By contrast, the pronounced downward mobility into service and sales jobs observable during the first transition seems to be more permanent, as 70-80% of service and sales workers have a service and sales job as their first and current job in Austria.

There are important gender differences that emerge from the study. **Women experience a significantly steeper fall in 'occupational status'** (although in our sample of respondents they occupied on average a higher occupational position in their home country) **than males, and no recovery over the observation period**. Furthermore, the study also found gender differences with respect to self-assessed job-skills mismatches between women and men.

There are also important correlations between social network relationships with the host population and a better (self-assessed) job-skills match. Finally, the mental health situation of refugees also affects the self-assessment of whether they feel over- and underqualified for the jobs they are employed in.

The **policy challenges** that can be deduced from the reported analysis on occupational mobility and (self-)assessment of job-skills (mis)matches are the following:

› **Specific attention has to be paid to those with higher educational attainment levels and to women** in general to avoid a protracted period of occupational status loss and to bring their skill potential to successfully integrate into the Austrian labour market—in other words, to move as fast as possible from the 'mirror J'-shaped occupational mobility pattern to a 'U-shaped' pattern. A prolonged period of 'job-skills' mismatch can lead to discouragement and demotivation and is, furthermore, inefficient in terms of utilising the available potential of refugees.

› The evidence that those who are more integrated with the host population also have a lower incidence of feeling 'overqualified' in their jobs points to an **important relationship between social and labour market integration**; this has been more extensively explored in Landesmann and Leitner (2019). Policies addressing social integration with the host population can thus have a significant impact on labour market integration more generally and the (self-assessed) match between skills and jobs.

› **Refugees who have a higher incidence of psycho-traumatic problems also show differences with regard to the self-assessment of the job-skills match** which can be interpreted as an additional loss of self-esteem. Dealing with this problem linked to the specific refugee experience is an important additional challenge to be tackled by policies within and outside the labour market (for a detailed examination of this issue see Leitner et al., 2019).

Related Project:

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