

Leveraging the Potential of Migrants and Diasporas

by Rainer Münz

Summary

Europe is experiencing shrinking workforces and native populations. This is the long-term result of low fertility rates. With the baby-boomer generation entering retirement, the gap is rapidly widening. As a consequence, EU countries should try to increase the labour force participation of older people in general and members of certain diaspora groups in particular—with a special focus on the 18–25 age group, as well as on women with non-EU migrant backgrounds. This requires both changes to the educational system to deal with the growing number of children with a migrant background and more integration measures targeting adult migrants with low levels of education and little work experience. Beyond these adaptations, EU countries will need to develop admission policies that mainly attract labour and skills compatible with EU labour market needs. Smart migration policies will have to put the employability of newly admitted migrants at their centre. In this context pre-departure measures should be discussed. At the same time, EU countries should speed up the recognition of skills that migrants have acquired in their countries of origin and offer upskilling wherever this is required. From a socio-economic point of view, it is inefficient for migrants to work below their skill levels.

Keywords Labour markets – Labour migrants – Migration policy – Integration of migrants – Educational systems

State of play

Europe is facing two fundamental demographic shifts that are impacting our societies and economies. On the one hand, the number of deaths in EU countries is higher than the number of births—this has been the case since 2013. And this gap between the increasing numbers of deaths and the declining numbers of births is widening.¹ As a result, Europe's native population has started to shrink. This trend will almost inevitably continue in the coming decades.² On the other hand, the large baby-boomer generation, born in the 1950s and 1960s, is retiring. At the same time, because of persistently low fertility rates, leading to low numbers of births, Europe's younger generation, which is leaving the education system and entering the labour market today, is about 35% smaller than the retiring generation that is vacating positions on the labour market. The consequences of this are pretty clear: Europe's population is ageing rapidly and Europe's domestic labour force is declining. This is creating a shortage of labour and skills in a variety of sectors across Europe.³ And the decline of native populations throughout the EU and beyond will mean that this shortage continues to increase in the years and decades to come as no return to higher fertility and surging numbers of births is in sight.

In this situation some people—particularly those representing business interests and affected public services—see immigration as a potential solution to the demographically induced shortage of labour and skills. Data on immigrant integration show, however, that many third-country nationals arriving in Europe and settling in an EU country do not quickly join the labour force.⁴ There are two main reasons for this unsatisfactory economic and labour market outcome.

¹ Eurostat, *Demography of Europe – 2024 Edition* (2024).

² Eurostat, 'Population Projections at Regional Level' (2021).

³ European Commission, 'Tackling Labour and Skills Shortages in the EU', Press Release, 20 March 2024.

⁴ Eurostat, 'Employment Rates by Sex, Age and Citizenship' (2022); OECD and European Commission, *Indicators of Immigrant Integration 2023: Settling In* (Paris, 15 June 2023).

The first reason has to do with deficient integration policies and regulations hindering migrants from fully deploying the skills they acquired in their sending countries. Lengthy or inadequate recognition procedures make it difficult for potential employers to assess the employability of skilled or semi-skilled non-EU migrants. In certain cases discrimination might also be at play. As a result, despite skills shortages in the EU27, more than a third of all working migrants are employed below their skill level, obviously leading to brain waste.⁵ The same is also true for many intra-EU migrants.⁶ This also has a negative impact on productivity.⁷ To fully leverage the talent of immigrants it is crucial to speed up and standardise skills recognition.⁸ EU member states should cooperate by establishing a Europe-wide register for educational attainment and skills equivalency, applicable in all EU countries. This would also make it easier for non-EU migrants to move between EU countries.

The second reason is related to the nature and origins of recent immigration flows to the EU. During the past 15 years, inflows of non-EU citizens to EU countries have been dominated by asylum seekers, displaced Ukrainians, dependent family members and marriage migrants. Less than 20% of recent arrivals have been admitted due to their education or skills.⁹ Consequently, many migrants arriving via the dominant pathways do not match the EU's labour market needs. For some of them, becoming economically active is not even at the centre of their decision to move to Europe.¹⁰

While more targeted migration and admission policies are relevant for future labour market outcomes, it is also important to activate those segments of the European resident populations that have a migrant background and low labour force participation.¹¹

Among natives and intra-EU migrants, some three in four people (age 18+) are working. Among adult migrants born outside the EU less than two in three are economically active. The gap is particularly visible among women. Only one in two non-EU-born women residing in the EU is working, while this is the case for three out of four EU-born women.¹²

There are two main groups of people with a migrant background that have below average labour force participation. The first comprises young people who have left the education system without achieving any qualifications. This group consists of those who were born and raised by immigrant parents but have failed to successfully meet minimum standards during their educational careers.¹³ It also includes those who arrived in their early or mid-teens and were not able to be integrated into the regular curriculum. Even in times of shortages, their chances on the EU labour markets are reduced. As a result, about one in five young people with a non-EU migrant background are not in employment, education or training (NEET).¹⁴

The other group consists of women with non-European roots. Currently their labour force participation is also considerably lower than the average among native women.¹⁵ On the one hand this might have to do with a lack of skills. Many female migrants from African and Western Asian countries will have attended school

⁵ Eurostat, 'Non-Nationals More Likely Over-Qualified Than Nationals', 9 March 2023; T. Sparreboom and A. Tarvid, *Skills Mismatch of Natives and Immigrants in Europe*, International Labour Organization (Geneva, 2017).

⁶ Scilog, 'Why EU Migrants End up in Jobs Below Their Qualifications', 17 June 2024.

⁷ A. Vandeplas and A. Thum-Thysen, *Skills Mismatch and Productivity in the EU*, European Commission Discussion Paper 100 (Luxembourg, July 2019).

⁸ V. Margaras, and K. Eisele, *Recognition of the Qualifications of Third-Country Nationals*, European Parliamentary Research Service, Briefing PE 754.594 (November 2023).

⁹ R. Muenz and J. Yaryeva, *Immigration to Europe: The Big Picture for the EU and Its Member States*, Martens Centre (Brussels, 2024).

¹⁰ This is particularly true for some of the marriage migrants.

¹¹ European Commission, *Action Plan on Integration and Inclusion 2021–2027*, Communication, COM (2020) 758 final (24 November 2020).

¹² Eurostat, 'Employment Rates by Sex, Age and Citizenship'.

¹³ A. Behr and G. Fugger, 'PISA Performance of Natives and Immigrants: Selection Versus Efficiency', *Open Education Studies* 2/1 (2020).

¹⁴ Eurostat, 'Young People Neither in Employment nor in Education and Training by Sex, Age and Labour Status (NEET Rates)' (2024).

¹⁵ Eurostat, 'Employment Rates by Sex, Age, Educational Attainment Level, Citizenship and NUTS 2 Region' (2024).

for less than eight years. On the other hand, it may be partly the result of cultural values imported from their countries of origin, where there is little or no tradition of women—and mothers, in particular—working in the formal sector of the economy.¹⁶

Discussion and recommendations

The EU's emerging demographic and labour deficit could be addressed several ways. The most sustainable ways to reduce the lack of labour and skills would be to achieve the following:

1. Higher labour force participation among older people, through either a substantial rise in the retirement age (ideally by automatically linking the statutory pension age to increasing life expectancy, as has happened in Denmark and Sweden) or arrangements that allow and encourage older people to stay economically active while also receiving an old-age pension.
2. Higher labour force participation among migrants already residing in the EU, especially among those from non-EU countries and female migrants.
3. The admission of new foreign labour with skills that match the unmet demands of the European labour markets.

In the short term, 'importing' foreign labour through immigration is the quickest 'remedy' to the apparent shortages in Europe's domestic labour markets. Such a policy clearly has implications for the composition and fabric of European societies. And this strategy will only work if these migrants expediently integrate into these labour markets. EU countries therefore need to develop smarter migration policies, including in terms of admission on legal and humanitarian grounds where this is mandated. This could include requiring pre-departure enrolment in language classes or targeted upskilling for marriage and family migrants prior to the granting of a residence permit.¹⁷

The strategy has at least two prerequisites:

1. It needs to be based on a careful selection process with a clear focus on the expected employability of admitted immigrants.¹⁸
2. It requires wage levels, working conditions and a social environment that is able to attract the right mix of migrants.¹⁹

The admission process should include (whenever possible) solid documentation of already acquired skills, as well as pre-departure measures such as online or in-person language training at the place of origin.²⁰ Both would help to speed up economic integration in the destination country once the admitted labour migrants settle in. Wherever necessary, this should be accompanied by continued post-arrival language training and onboarding at the new workplace.²¹ Non-discrimination measures should be enacted and enforced to create a level playing field between migrants and native participants in the labour market.

Employers could play a crucial role in future selection processes by assessing the potential of candidates applying for work permits and their need for additional qualifications. The fact that a person applying for a

¹⁶ A. Orav, *Migrant Women and the EU Labour Market. Overcoming Double Discrimination*, European Parliamentary Research Service, Briefing PE 747.905 (Brussels, May 2024).

¹⁷ A. Chindea, *Headstart to Integration: A Global Review of Pre-Departure Support Measures for Migrants*, Institute of Migration (Geneva, 2015).

¹⁸ European Commission, Directorate-General Migration and Home Affairs, 'Labour Migration Platform', 5 March 2024.

¹⁹ European Commission, 'Legal Migration: Attracting Skills and Talent to the EU', Press Release, 27 April 2024.

²⁰ Chindea, *Headstart to Integration*; Migration Policy Institute Europe, *More Cooperation on Immigrant Integration Before Departure Would Benefit Origin and Destination Countries*, Policy Brief (17 February 2015).

²¹ U. Hanemann, *Language and Literacy Programmes for Migrants and Refugees: Challenges and Ways Forward*, UNESCO (Paris, 2018).

work permit already has a job offer from an employer in the destination country could be used as a labour market test and therefore as a selection criterion.²²

In parallel to improved admission processes, a welcoming environment for those whom EU countries want to attract is becoming ever more relevant as other parts of the world are also experiencing ageing and potentially or actually shrinking native populations. As a result, a growing number of developed countries are also looking for globally mobile talent and skills. In this the—so far rather reluctant—EU countries are competing not just with each other, but also with the US, Canada and Australia, as well as Singapore, Korea and the Gulf states.²³

A welcoming environment needs to include provisions for the children of labour migrants who are either coming with them or joining them at a later time. It is important that these children not only receive intensive language training from the outset but are also well integrated into the education systems of the receiving countries and able to leave school with qualifications. This is an important prerequisite for their future ability to join the labour market of the receiving country and should be seen as a long-term benefit of current investments in their education by the receiving EU countries. This will require a reorientation of existing preschool and school systems.²⁴

Today, Europe's education systems are mostly oriented towards the educational requirements of domestically socialised children with sufficient command of the country's main language. Increasingly, however, these systems need to be able to integrate children of very different cultural and linguistic backgrounds.²⁵ These children often do not speak the language of instruction and may even have learned to read and write using a different alphabet. Some refugee children may have grown up under conditions that did not allow them to attend primary or secondary school in their home country or in a transit country.

It is crucial that EU countries do not see the integration of children with migrant backgrounds as only a transitional challenge that relates to refugees and their family reunions triggered by inflows of asylum seekers. It needs to be seen as a permanent task that is linked to future labour recruitment efforts which will lead to family migration. And the quality of the education system, including its ability to deal with the children of immigrants, is also an important criterion that is considered by globally mobile qualified labour when it comes to decisions about where to settle.

An important goal of current and future integration policies should be to better leverage the potential of migrants and diaspora members already living in an EU country. Wherever necessary, qualified migrants whose skills do not fully match the required standards of the receiving countries should be given the opportunity to upskill. This is of particular relevance, for example, for migrant labour employed in the health sector.

By the same token, foreign students graduating from colleges and universities in EU countries should be given the opportunity to remain in the EU and become economically active. This needs to include an extension of their residence permits in order to facilitate job hunting for recent graduates from non-EU countries.²⁶

At the same time, economically inactive young adults (i.e. NEETs) should be activated and given access to European labour markets. Despite the fact that the overall share of NEETs in the population is declining, they are still over-represented among young people with a migrant background whose parents have come from

²² P. Nigitsch, M. Weigle and F. Frongia, *Cultivating Talent: Exploring Effective Talent Attraction and Retention Practices in and Beyond the EU*, International Centre for Migration Policy Development (Vienna, 2024).

²³ R. Muenz, *The Global Race for Talent: Europe's Migration Challenge*, Bruegel (Brussels, 2014); L. Cerna, *Immigration Policies and the Global Competition for Talent* (Basingstoke: Palgrave Macmillan, 2016); *Trade in Motion*, 'The Global Race for Talent' (2024).

²⁴ European Commission, 'Refugee and Migrant Integration Into Education and Training' (2022).

²⁵ A. Orav, *Integration of Migrant Children*, European Parliamentary Research Service, Briefing PE 754.601 (Brussels, November 2023).

²⁶ Global Education Monitoring Report Team, *Global Education Monitoring Report, 2019: Migration, Displacement and Education: Building Bridges, not Walls*, UNESCO (Paris, 2018).

countries outside Europe.²⁷ Integrating NEETs will require concentrated training efforts and—ideally—financial support linked to training outcomes in order to create a material incentive.

Another group with low levels of labour force participation are women with non-European roots. As a consequence, targeted measures addressing female diaspora members need to be designed to make them ready for European labour markets. This should include programmes to improve literacy and numeracy, specific skills transference and language support, as well as health measures.²⁸ As many of these women are taking care of children, such measures need to be combined with an expansion of preschool facilities and afterschool childcare (possibly with language training and homework support provided). This combination of programmes and policy measures would definitely have the potential to foster the socio-economic integration of these women.²⁹

Conclusion

To sum up, Europe faces demographic challenges due to shrinking native populations and workforces. Recruiting migrants could be a partial answer to these challenges, but EU countries will need to develop admission policies that mainly attract the labour and skills compatible with EU labour market needs. Additionally, they should implement integration and non-discrimination policies that enable newly arriving migrants to fully deploy their already acquired skills and to upskill, if necessary. At the same time EU countries should make better use of the potential of those already residing in Europe. This requires the introduction of measures and incentives to encourage young people and adult women with non-EU migrant backgrounds to join the labour force.

	Programme 1	Programme 2	Programme 3
	Developing a better migration policy	Speeding up the economic integration of migrants and diaspora members	Supporting the integration of people with migrant and diaspora backgrounds, in particular women
Project 1	Develop admission criteria which have a clear focus on employability.	Improve mechanisms for the recognition of non-EU qualifications, including those of Ukrainian refugees.	Increase efforts to integrate immigrants, including by insistence on language learning.
Project 2	Require pre-departure integration efforts such as language training and skills documentation.	Develop anti-discrimination measures.	Upskill immigrants and diaspora members with low levels of education and work experience.
Project 3	Provide intensive language training and targeted onboarding for migrants admitted for their labour and skills.	Establish a global register for educational attainment and skills equivalency, applicable in all EU countries.	Expand preschool facilities and afterschool care for children (including providing support for language learning and homework). Develop curricula for young migrants arriving with little or no formal education.

²⁷ OECD and European Commission, *Indicators of Immigrant Integration 2023: Settling In* (Paris, 2023).

²⁸ A. North, *Gender, Migration and Non-Formal Learning for Women and Adolescent Girls*, UNESCO (Paris, 2019).

²⁹ European Commission, *Action Plan on Integration and Inclusion 2021–2027*.

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