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# WeLaR Newsletter

## Issue #9 / December 2024

## Contents

**WeLaR research**

EU migrants face job quality challenges despite comparable employment rates

WeLaR researchers call for inclusive policies to address Europe's workforce crisis

**WeLaR events**

Third WeLaR Virtual Expert Café explores inequality, AI, education, and migration

WeLaR workshop on welfare states and public finance features six presentations

WeLaR webinar explores remote work's impact on employee well-being, skills requirements, and labour market resilience

WeLaR webinar examines how education, technology, and demographics influence economic progress

WeLaR's foresight workshop explores

## From the Editors

As the year draws to a close and the holiday season approaches, this edition of our newsletter not only brings you updates from our recent work but also extends our warmest wishes for a festive and joyful season.

In this issue, we highlight our recently published research on the integration of migrants into the European labour market. Our findings emphasise the vital role migrants play in addressing labour shortages while also shedding light on the challenges they face.

You'll also find a snapshot of our latest policy brief on Europe's labour shortages. Our researchers advocate for inclusive policies that open doors to underrepresented groups—such as NEETs, individuals with disabilities, and non-EU migrants—while stressing the importance of lifelong learning.

The past three months have been filled with WeLaR events, offering opportunities to present our research and engage in discussions with fellow researchers and stakeholders. In this issue, we recap six research events, exploring topics such as remote work, the impact of demographics, education, and technology on economic growth, the future of welfare states and public finances in the EU, and the role of migrants in public finances. A standout moment for us was the foresight workshop in Brussels, where researchers, policymakers, and stakeholders collaborated to map long-term scenarios for Europe's labour markets.

On behalf of the WeLaR consortium, thank you for being part of this journey. We wish you a wonderful holiday season and a Happy New Year!

Warm regards,
The WeLaR Editorial Team

[scenarios for Europe's labour markets and welfare systems]

[WeLaR webinar provides new insight into the contribution of migrants to state budgets]


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**This project, WeLaR, has received funding under the Horizon Europe programme.**

## WeLaR research:


## EU migrants face job quality challenges despite comparable employment rates

**Migrants to the European Union achieve employment rates similar to those of native populations and contribute especially to sectors with labour shortages, while also facing significantly lower wages and job quality, new WeLaR paper finds.**

Drawing on data from the 2021 European Labour Force Survey (EU-LFS), which includes information from EU member states, four EU candidate countries, and three non-EU EFTA members, the WeLaR study "Migration and Integration in European Labour Markets" offers insight into the challenges and barriers of the integration process. Despite those barriers, migrants achieve employment rates of 60-70%, comparable to those of native-born workers, the data shows.

"In the EU migrants remain disproportionately concentrated at the lower end of the income distribution," says Sarah McNamara, co-author of the study and researcher at Germany's ZEW – Leibniz Centre for European Economic Research. "Skill mismatches, both in terms of working in fields unrelated to their qualifications and being employed below their skill level, remain a significant challenge. And migrants are also more likely to have temporary contracts with poorer working conditions and lower wages."

However, researchers found no evidence of "welfare migration", with recent arrivals less likely to rely on benefits than those who came in earlier waves. Moreover, those who are not in the labour force struggle to access any social assistance. Research also shows that migrants are more likely to work in shortage occupations.

The study found significant variations in migration experiences across the EU. In countries like Cyprus and Luxembourg, over 50% of the working-age population has a migration background, compared with less than 5% in Bulgaria, Hungary, Poland, and Romania.

**Longer searches**

Migrants often rely on personal networks to find jobs and tend to return to work more quickly after career interruptions compared to native workers. The duration of job searches among migrants varies significantly across Europe, with countries like Germany, Spain, and Latvia experiencing longer average search periods compared to Lithuania, Poland, and Estonia.

“This disparity can be partly attributed to the local composition of migrant arrivals,” says co-author and ZEW researcher Martin Lange. “For instance, Germany hosts a relatively high number of asylum seekers who face restrictions on paid employment during their initial years, contributing to extended job search durations.”

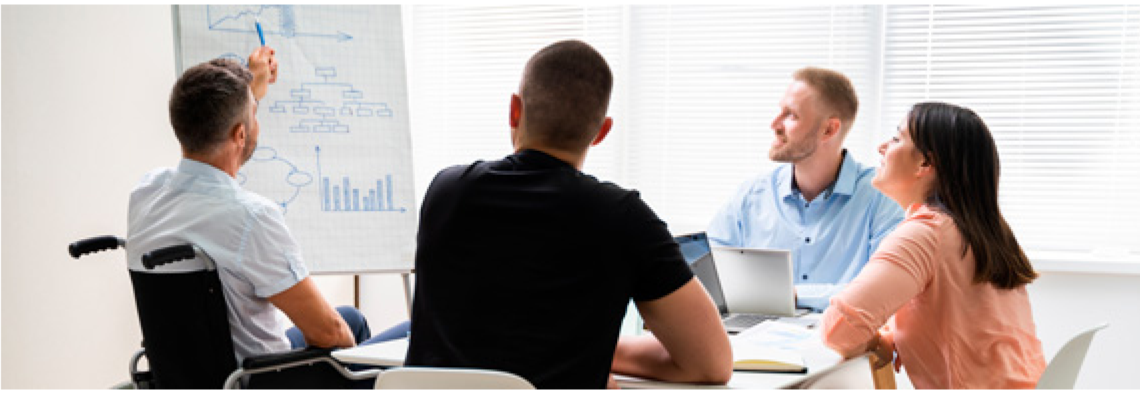
The report highlights that asylum seekers encounter even greater challenges in finding employment than other migrants. Institutional barriers, especially in the 15 countries that have been EU members since 1995 or earlier, make it harder for them to secure work. One key challenge is the recognition of foreign qualifications, a process so complex it discourages many migrants from even attempting to have their credentials validated.

“The EU still lacks a comprehensive approach to managing migrants and asylum seekers and unlocking their economic potential,” says Sarah McNamara. “We need to rethink how we can remove the institutional barriers that prevent migrants from participating fully in the workforce. One of the first new policies should be the introduction of a continent-wide system for recognising foreign qualifications.”

The WeLaR research also examined the impact of migration on the wages of the native population, focusing on Germany after the EU’s eastern enlargement. Contrary to popular belief, the data reveals that migration has had an overall positive impact on wages. In particular, wages in the upper part of the income distribution grew, indicating a complementarity between high-skilled native workers and incoming migrants.

“This overall positive effect on native wages suggests that the German labour market has successfully integrated migrant workers without significantly impacting native workers’ earnings,” says Martin Lange. “However, paradoxically, the new waves of migration present challenges for earlier low-skilled migrants, who face a substitution effect and downward pressure on their earnings.”

Martin Lange, Sarah McNamara, Philipp Schmidt, César Barreto Sanchez, Katrin Sommerfeld, and Martin Streng (2024) Migration and Integration in European Labour Markets (Deliverable D5.5) Leuven: WeLaR project 101061388–HORIZON.



## WeLaR researchers call for inclusive policies to address Europe’s workforce crisis

**Europe’s labour market is hitting record-high employment levels, yet many critical sectors are grappling with severe worker shortages. Labour market economists call for inclusive policies to bridge these gaps, which are affecting industries such as healthcare and construction, by bringing underrepresented groups into the market.**

A new policy brief shows that non-EU migrants, individuals with low education, NEETs

(Not in Employment, Education, or Training), and people with disabilities are now largely excluded from employment opportunities. Researchers argue that addressing barriers to their entry into the labour market is essential to fill current job vacancies and prepare for the broader workforce challenges of the future.

Labour shortages are not just a short-term mismatch between supply and demand: the researchers found that they are deeply rooted in broader megatrends, including an ageing population, digitalisation, the green transition, and globalisation. While these trends are disrupting traditional industries, they are also creating opportunities to build a more resilient labour market — if policymakers act fast.

“Europe’s ageing population is putting serious pressure on the workforce,” explains Laurène Thil, a researcher at HIVA KU Leuven and co-author of the brief. “Longer life expectancy and falling birth rates are shrinking the pool of available workers. The strain is especially hard on older women, who are often forced to leave their jobs or reduce hours to care for ageing relatives.”

At the same time, digitalisation is transforming the nature of work, offering new pathways for people who might otherwise be excluded. Flexible and remote working options are opening doors for caregivers, individuals with disabilities, and those living in rural areas, who have the lowest activity rate, an average of 55.8% in 2022.

“Promoting remote work and flexible hours can make workplaces more inclusive,” says Karolien Lenaerts, a researcher from HIVA KU Leuven and co-author of the brief. “Workers who may have been excluded from traditional office-based employment due to disability, geography or family responsibilities can now engage more easily in paid remote work.”

The researchers stress that overcoming these challenges will require a coordinated approach. Policymakers must reduce barriers to participation by investing in affordable childcare, introducing flexible work arrangements, and launching targeted programmes for marginalised groups. Meanwhile, employers and unions must foster a culture of lifelong learning to equip workers with the skills they need for the digital and green economies.

“This is not just about plugging immediate labour gaps,” says Mikkel Barslund, a researcher at HIVA KU Leuven and a co-author of the brief. “It’s about ensuring the long-term sustainability of Europe’s welfare systems, fostering economic growth, and improving well-being. Addressing skills mismatches and expanding access to work will help build a labour market ready to tackle future challenges.”

Solving Europe’s labour challenges will require collaboration among employers, unions, and governments. The researchers say that while systemic measures can create supportive frameworks, individuals and companies must also take responsibility for adapting to new career realities.

Mikkel Barslund, Karolien Lenaerts, Laurène Thil (2024). POLICY BRIEF: Labour supply in a changing world: the effects of ageing, digitalisation, the green transition, and globalisation.

## WeLaR Events

## Third WeLaR Virtual Expert Café explores inequality, AI,

## education, and migration

**The discussion during the third WeLaR Virtual Expert Café, hosted by the Centre for Social Innovation (ZSI) on 19 September, 2024, focused on four research papers exploring key labour market challenges: income inequality, algorithmic management (AI/AM), education-labour market mismatches, and migrant integration in the context of digitalisation.**

Tatjana Neuhuber from the Centre for Social Innovation (ZSI) presented her research on the impact of public social expenditure in reducing local income inequality in Austria. She found that both municipal and provincial social spending—on education, health, and social protection—play a critical role in mitigating inequality. However, the effects of social spending vary widely between regions, with some areas seeing more significant reductions in inequality than others.

Ursula Holtgrewe, also from the ZSI, presented the findings of her report written for the INCODING project, examining how European social partners (unions, employers, and governments) are addressing the rise of AI and algorithmic management. While a few Joint Declarations in data-intensive sectors and some company-level agreements have emerged on a European level, such as Just Eat Takeaway's European Works Council and UNI Global's deal with Teleperformance, the overall social dialogue on AI has been sluggish. Employers express "regulation fatigue" in response to the EU's AI Act, while unions push for stronger protections, including a proposed "AI in the Workplace" Directive. The research points out the challenges in implementing transparency and "human-in-control" mechanisms in AI-based systems and in making them accessible to social dialogue.

Sofie Cabus of KU Leuven introduced a novel approach to measuring education-labour market mismatches, using the "linkage score." This indicator measures how well educational qualifications match the jobs and sectors in which graduates find employment. Her research shows that countries like Norway, Slovenia, and Switzerland have high linkage scores, indicating a good match between education and the labour market's needs. Meanwhile, countries such as Italy and Spain fare poorly, with low scores suggesting a widespread mismatch between graduates' qualifications and their jobs.

Sarah McNamara from ZEW Mannheim presented the preliminary results of her research that builds on a recent WeLaR report on the integration of migrants into Europe's labour market. She looked into how digitalisation is reshaping the position of migrants in the labour market and found that it may have offered new opportunities for migrants, with many of them starting more advanced work in occupations with non-routine cognitive and analytical tasks in recent years.

You can access the presentations here.

## WeLaR workshop on welfare states and public finance features six presentations.

**The WeLaR workshop "Welfare States and Public Finance: Adapting Welfare States to New Challenges While Ensuring their Long-Run Financial Sustainability" provided an excellent opportunity for scholars from across Europe to share and discuss their recent research on trends in this area.**

The event was organised by ZEW – Leibniz Centre for European Economic Research and was held on 24 October 2024 in Mannheim. It featured six presentations and brought together 12 participants.

The first session of the workshop focused on public finance. Nizamul Islam (LISER) presented her paper "Automation and Basic Income: Distributional Implications", co-authored with Marko Vladisavljević and Jelena Žarković (both from the University of Belgrade). Nizamul demonstrated how researchers used the EUROMOD model and EU-SILC data to explore the impact of automation on income distribution and welfare in Europe. Their findings show that while robust welfare systems can mitigate automation-driven inequality, the effects of Universal Basic Income (UBI) vary by country and labour market structure.

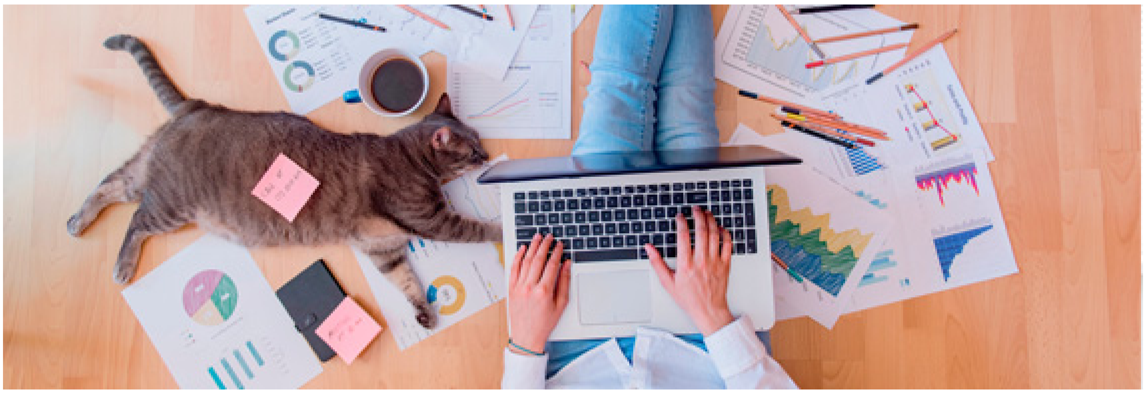
Agathe Simon (ESRI Dublin) demonstrated the findings of her paper "The Impact of a European Unemployment Benefit Scheme on Labour Supply and Income Distribution", co-authored with Mathieu Lefebvre (University of Strasbourg). Using the EUROMOD microsimulation model, they assessed the potential impact of a Eurozone-wide unemployment insurance (UI) scheme on labour supply and income distribution. The simulations show that a flat-rate system would reduce poverty but at the same time create strong work disincentives. A contribution-based system would minimise labour market distortions, but have limited effects on poverty. Meanwhile, a hybrid scheme, with common replacement rates coupled with floor and ceiling amounts, would offer a balance between reducing poverty and inequality while limiting adverse labour supply effects.

Tim Kalmey (ZEW Mannheim) presented the paper "From Local to Global: The Welfare Effects of Fossil Fuel Subsidies and Externalities", co-authored with Sebastian Rausch (ZEW Mannheim and University of Heidelberg). Researchers studied how welfare, fiscal revenues and CO2 emissions would be impacted by implementing local energy pricing reforms involving the removal of fossil fuel subsidies and pricing of fuel-related local externalities (e.g. health costs from local air pollution; accidents; traffic congestion; and road damage). Kalmey argued that countries could, on average, increase their welfare by 6.5% and fiscal revenues by 4.7% ($213 billion) by implementing this policy. Global implementation would reduce CO2 emissions by 31%.

The second session focused on labour markets. Katarzyna Lipowska (IBS Warsaw) presented "Health, Skills, and Weak Labour Market Attachment in Europe", co-authored with Marta Palczyńska (IBS). They found that for workers without health limitations, the probability of inactivity remains roughly the same for different levels of social skills use, dropping only with a higher use of digital skills. By contrast, digital and social skills use is crucial for people with health limitations to stay active in the labour market, and the effect of digital skills is even greater than for the population without health limitations.

Holger Stichnoth (ZEW Mannheim and University of Strasbourg) presented "The Net Fiscal Contribution of Foreigners in Germany", co-authored with Alexandre Gnaedinger (ZEW and University of Mannheim) and Mats Le Floch (Ecole Polytechnique). In their paper, the researchers examined the net fiscal contribution of foreigners in Germany using SOEP data, finding that contributions vary by nationality and are influenced by factors such as age and education.

The final session of the workshop focused on social innovation. Ursula Holtgrewe (ZSI Vienna) compared case studies on "Social innovations and the welfare state" from six European countries, conducted by Project WeLaR. The comparison shows that social innovations' missions range from extension of social services to transformational aspirations, but converge on certain pragmatic practices that go beyond simple distinctions of more or less transformational innovations. Such practices consist in needs-based services that cross policy domains; support to target groups that are affected by the downsides of some social policies; and the building of "ecosystems" in which actors collaborate and learn but also compete. At any rate, to make impacts and realise synergies, they need institutional counterparts on multiple policy levels.



## WeLaR webinar explores remote work's impact on

## employee well-being, skills requirements, and labour market resilience

**The WeLaR webinar on remote work brought together over 30 participants to discuss how this new and increasingly prevalent work arrangement affects workplace well-being, mental health, skills demand, and the resilience of local labour markets.**

The webinar "From Home to Office: The Complexities and Benefits of Remote Work" was organised on 27 November, 2024 by WeLaR partner LISER.

The session began with a presentation by Ludivine Martin (LISER), who shared WeLaR research co-authored with Laetitia Hauret. Their study examined how telework and digitalisation impact remote workers' stress, workload, and mental health. The findings revealed that while new technologies can ease work intensity, digitalisation generally has a negative effect on well-being. Interestingly, ICT adoption had no measurable impact on mental health, while automation and AI were found to reduce feelings of emotional exhaustion. See the presentation here.

Next, Sarra Ben Yahmed (University of East Anglia) presented a study she conducted with Francesco Berlingieri (European Commission) and Eduard Brüll (ZEW) on the role of digital capital and remote work potential in shaping local employment resilience in Germany during the COVID-19 pandemic. She showed that regions with higher digital capital had greater labour market resilience, particularly in areas previously lacking digital infrastructure, as digital tools increased organisational flexibility, helping businesses adapt to disruptions. See the presentation here.

Espen Olsen (UiS School of Business and Law) presented findings from a project conducted with Aldijana Bunjak (UiS), Maria Therese Jensen (UiS) and Yusheng Fu (Nottingham Trent University) on the relationship between remote work and personality traits. The study found that remote work can reduce workplace bullying but also increases feelings of loneliness. Additionally, it decreased work engagement among both extroverts and introverts. The presentation is available here.

In the last presentation of the day, Christina Langer (Stanford Digital Economy Lab) discussed the impact of remote work on labour markets and skills demand in Germany. Her research, co-authored with Jean-Victor Alipour (Ludwig-Maximilians-Universität München), revealed that the proportion of job postings offering remote work surged from 3.5% in 2019 to 17.5% in 2023. Employers increasingly prioritise skills such as independence, attention to detail, and self-management.

## WeLaR webinar examines how education, technology, and demographics influence economic progress

**More than 20 researchers joined a WeLaR webinar on 28 November, 2024 to discuss recent studies examining the connections between demographics, education, and technological innovation in driving economic progress.**

"The Interplay of Demographics, Education, and Technology in Shaping Economic Progress" was organised by WeLaR partner IBS – Institute for Structural Research.

In the first presentation, Cäcilia Lipowski (ifo Institute – Leibniz Institute for Economic Research) examined how shortages of young workers hinder firms' technology investments. She used a natural experiment from a 2001 German education reform that temporarily reduced the labour supply of trainees. Her findings reveal that young workers are critical for adopting new technologies, due to their adaptability and lower training costs, with firms experiencing declines in tech investment when such workers are scarce. While a reduced supply of young labour market entrants may not always decrease tech adoption, it will always increase its costs. See the presentation here.

Next, Guido Neidhöfer (Turkish-German University) shared a database of indices tracking intergenerational mobility across Europe, developed in collaboration with Sarah McNamara (ZEW) and Patrick Lehnert (University of Zurich) to provide insights into regional variations and historical trends. Their study shows that higher intergenerational educational mobility is strongly linked to increased regional innovation. Their research implies that policies enhancing equality of opportunity can drive long-term efficiencies and innovation without a trade-off between equity and economic growth. The presentation is available here.

In the third presentation, Julian Vedeler Johnsen (Universitetet i Bergen) presented findings from a project conducted with Patrick Bennett (University of Liverpool) on the impact that automation and immigration have on non-college-educated workers in Norway. Their results show that automation disproportionately impacts non-college-educated workers, particularly in manufacturing and construction, with spillover effects leading to declines in construction jobs. These impacts are amplified when combined with immigration shocks, creating downward pressure on wages and pushing workers into lower-quality jobs or lower-paid occupations. See the presentation here.

The webinar concluded with a presentation by Piotr Lewandowski (IBS), who discussed his ongoing research with Karol Madoń on the influence of automation on teenagers' career choices in Norway. Preliminary findings suggest that exposure to robots reduces the likelihood of teen boys selecting vocational tracks prone to automation, with the effect being more pronounced among those whose fathers work in sectors heavily impacted by robots.

## WeLaR's foresight workshop explores scenarios for Europe's labour markets and welfare systems

**Researchers, policymakers, and WeLaR stakeholders met in Brussels last week to examine how technological progress and climate policies might evolve and their implications for European labour markets and welfare systems.**

At the foresight workshop "Exploring the long-term impacts of megatrends on European labour markets and welfare systems, organised by WeLaR partners HIVA KU Leuven, OSE and ZSI on 28 November, 2024 in Brussels, participants discussed three scenarios, using a matrix framed around two key uncertainties: technological progress (fast vs. slow) and climate policy stringency (mild vs. strict).

"Foresight exercises like this are invaluable tools. They open our perspectives, encourage mental plasticity, and challenge us to think beyond linear trajectories," wrote Manuel Paolillo, Director General of Policy Coordination and International Relations, Belgian Ministry of Social Security, in a LinkedIn post. "As I've written previously (The Art of Foresight – Like a Jedi Knight), scenario planning allows us to prepare for multiple possible futures. It equips us with the adaptability needed to address uncertainties and shape resilient strategies, going beyond predictive analysis."

We explored three potential future scenarios:

- **Scenario 1:** A world shaped by rapid technological progress and strict climate policies, supported by strong global cooperation. This environment fosters

innovation but faces challenges such as tensions, mismatches, and uneven progress.
- **Scenario 2:** A world where technological innovation flourishes locally, yet limited climate action and reduced global connectivity create obstacles to achieving broader sustainability goals.
- **Scenario 3:** A world marked by slow technological growth, mild climate policies, and localised economies, resulting in stagnation and minimal overall progress.

These scenarios highlight diverse challenges and opportunities, providing a valuable framework to anticipate future trajectories and develop adaptive strategies.

Our next steps include a Delphi survey to validate and refine the scenarios and a second workshop, planned for March 18, 2025, in Vienna, hosted by ZSI, where the survey results will be discussed to develop policy recommendations for adapting welfare systems to promote resilience and inclusive growth.


## WeLaR webinar provides new insight into the contribution of migrants to state budgets

**Migration has become a prominent political topic, often discussed for its potential fiscal impact but rarely supported by robust data. At the recent WeLaR webinar, we had the opportunity to explore the latest studies on how immigration affects public finances.**

The webinar, organised by WeLaR partner ZEW on December 9 2024, brought together 25 participants who explored various fiscal aspects of migration, including both direct and indirect contributions to state budgets, as well as differences between migrant groups and natives, such as age, education level, and country of origin.

Giacomo Boffi (Leiden University) presented a study he conducted with Eduard Suari-Andreu and Olaf van Vliet as part of the TransEuroWorkS project, which examines trends in the net fiscal positions (NFPs) of natives, intra-EU migrants, and extra-EU migrants from 2007 to 2018. The study found that all three groups had negative NFPs, but migrants showed a better recovery post-crisis compared to natives. Intra-EU migrants consistently made positive contributions to NFPs, while the contributions of extra-EU migrants were more mixed. Age (particularly prime working age) and education were key factors driving NFP differences. However, education had a minimal impact on extra-EU migrants, most probably due to challenges in recognising their qualifications.

Michael Christl (Joint Research Centre - EC and Universidad Loyola Andalucía) presented a study he co-authored with Hend Sallam, "Do Migrants Pay Their Way? A Net Fiscal Analysis for Germany." The study aimed to determine whether migrants in Germany contribute positively or negatively to public finances, considering direct and indirect taxes as well as in-kind benefits like health and education. The authors were also interested in differences between natives, first-generation, and second-generation migrants. They found that migrants generally have a favourable net fiscal impact, with second-generation migrants contributing more positively than first-generation migrants, who, in turn, contribute more than natives. Demographic characteristics, especially age structure, play a significant role in fiscal contributions, with natives and second-generation migrants contributing more than first-generation migrants when individual characteristics are taken into account.

Holger Stichnoth (ZEW) presented the findings of the WeLaR paper, “The Fiscal Contribution of Immigrants in Germany”, co-authored with Alexandre Gnaedinger and

Mats Le Floch. The study examines NFC of different migrant groups and natives to public finances in Germany in 2018. The authors found that, in 2018, the average NFC was positive for Germans and EU nationals, but negative for non-EU nationals. While the total NFC from all migrants (in billions of euros) is small relative to the overall budget and GDP, the study also found that NFC increases with education levels.

Dominik Sachs (University of St. Gallen) presented a paper co-authored with Mark Colas that investigates whether low-skilled immigrants are a fiscal burden on the U.S. budget, as is widely believed. The study examined the indirect fiscal effects, specifically how low-skilled immigration impacts native wages and labour supply. They found that the indirect fiscal benefits of low-skilled immigration are significant and positive, ranging from $770 to $2,100 annually per immigrant. These indirect benefits may outweigh the previously documented negative direct fiscal effects, challenging the common perception of low-skilled immigration as a fiscal burden.

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