



# Taking the Long View

Options for inclusive post-pandemic labour markets

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August 2021

# Contents

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- Executive Summary** ..... 1
  
- 1 Introduction** ..... 3
  
- 2 Struggling Now, Left behind Later? Migrant Workers in Pandemic-Hit Labour Markets** ..... 6
  
- 3 COVID-19 and Labour Market Change** ..... 10
  - A. Accelerated automation, changing supply chains, and emerging sectors ..... 10
  - B. The move to remote work ..... 12
  - C. Growth of atypical work and the platform economy ..... 13
  - D. New pressures on public employment support ..... 15
  
- 4 Shaping Inclusive Post-Pandemic Labour Markets** ..... 18
  - A. Help workers cultivate the skills to seize emerging business opportunities ..... 18
  - B. Tap into volunteerism and the social economy ..... 21
  - C. Reimagine the model of public employment services ..... 23
  
- 5 Conclusion** ..... 25
  
- About the Author** ..... 27
  
- Acknowledgments** ..... 28

## Executive Summary

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The COVID-19 pandemic has had harsh ripple effects on European economies and labour markets, causing the region's largest one-year economic contraction since the Second World War. After the shock of the first lockdown in Spring 2020 and brief signs of rebound in the summer, hopes of a rapid recovery were frustrated as countries across Europe tightened restrictions to contain new infections in late 2020 and early 2021. In Summer 2021, the successful rollout of vaccination campaigns and the easing of pandemic-related restrictions across the European Union have brought renewed confidence and optimism around economic recovery. Yet uncertainty persists, from gaps in vaccine uptake to the emergence of new viral variants. And while EU governments' prompt investments in historically large job retention measures have temporarily cushioned the pandemic's blow to European labour markets, this also means that the full impact is yet to be felt.

What is already clear is that the crisis has strongly exacerbated the labour market vulnerability of immigrants and refugees. Migrant workers tend to be concentrated in many of the sectors that suffered most, such as hospitality and construction. In the European Union, they make up about 13 per cent of workers in key occupations that kept operating at the height of lockdowns—and mostly in jobs that cannot be performed remotely, exposing them to health risks. Immigrants in the European Union are also frequently in precarious work relationships (such as those associated with temporary agency work or the platform economy) and therefore face higher barriers to accessing social protection. In addition, the public-health crisis has interrupted the provision of many integration-related services, and migrants and refugees with little digital literacy may find it hard to access adaptations such as online language or integration courses. Certain groups face intersecting disadvantages. After having undergone multi-year integration and skill-building measures, many recently arrived refugees now face a dismal job market, which may hamper their economic integration. Meanwhile, the economic crisis could dramatically worsen the already precarious labour market situation of migrant women in the European Union; they have been highly vulnerable to job losses, faced growing burdens of unpaid care amid school closures and interrupted services, and may struggle more than others in slack labour markets, due to more limited work experience and social networks.

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Several Member States have taken action, such as temporary regularisation schemes, to protect migrant workers from the most immediate risks of losing their residence status or social protection. But the pandemic has also exacerbated longer-term risks regarding immigrants' labour market integration. COVID-19 will likely accelerate sweeping transformations in the world of work, such as boosting digitisation and telework, spurring growth in atypical work relationships, and creating new sectors and jobs while destroying others. In this context, immigrant and refugee populations face a heightened risk of ending up at the bottom of segmented labour markets. A compounding factor is that governments, under pressure to address widespread unemployment, may divert resources from targeted support for the most vulnerable, including recent years' bold investments to advance the integration of newcomers.

To strengthen migrants' economic inclusion in labour markets as the pandemic eases in Europe, policymakers should adopt strategies that take into account COVID-19-related transformations. Options include the following:

- ▶ **Cultivate migrants' skills to seize emerging business opportunities.** COVID-19 has put a heavy strain on many companies, but immigrant businesses appear to have been hit especially hard as they tend to be small and have limited financial cushions or credit access to help them weather volatility. Nonetheless, the pandemic may be creating new entrepreneurial opportunities, and countries such as the United States, the United Kingdom, and France saw a spike in business creation in 2020. Investing in immigrant entrepreneurship may therefore advance migrants' economic integration in times of high unemployment while potentially rekindling economic dynamism. But this will require sustained investments in building migrants' entrepreneurial skills, market knowledge, and digital and technical skills that would allow them to access the more profitable business opportunities the pandemic has created. Another interesting model could be to help immigrants exploit synergies between entrepreneurship and the gig economy, so they can use the latter as a source of financial stability to venture into more ambitious and profitable entrepreneurial projects. However, this approach appears to be premature, as its potential will depend on policies to significantly raise the quality and safety of gig work.
- ▶ **Tap into volunteerism and the social economy.** As COVID-19 has triggered an uptick in volunteering and community engagement across Europe, many observers have pointed to the social sector as an important factor for post-crisis recovery. The social sector is generally more financially resilient in economic crises, due to its diversified funding and reliance on in-kind resources. Moreover, its mission to address and prevent vulnerabilities makes it a strategic ally for governments during times of widespread social needs. In a context of employment contraction, the social sector could provide groups at the margins of labour markets with alternative opportunities to become active and contribute to society. This, in turn, would allow immigrants to cultivate their language and professional skills, social capital, and self-confidence. To encourage this function, governments could provide additional funding to social-sector organisations in exchange for placements of vulnerable jobseekers. Governments could also invest more in work-integration social enterprises: cooperatives and other social enterprises that employ disadvantaged jobseekers—for example, to produce goods and services of interest to the community—thus giving them access to income, skills, social capital, and work experience to improve their long-term employment chances. Yet, for social engagement to be a genuine stepping-stone to sustainable employment rather than unpaid work, fair remuneration and upskilling opportunities will be important.
- ▶ **Reimagine the model of public employment services.** While public employment support has long focused on getting unemployed people into work, the current crisis calls for a rethinking of this model to promote the upskilling and reskilling of the whole workforce in a way that ensures workers can manage profound changes in the fabric of economies. Yet, governments facing the monumental task of promoting employability among populations at large may face the pressure to divert resources away from targeted support for migrants and refugees, jeopardising the infrastructure and knowledge of integration that many European governments have built over the past five years. Public-private partnerships with employers and the social sector may help protect this progress, by sharing the

investment risks while ensuring that the restructuring of public employment services accounts for both the needs of vulnerable groups and emerging economic opportunities.

In recent years, policymakers and researchers alike have been increasingly concerned about how migrants and refugees will fare in labour markets of the future. However, these reflections have often been characterised by a low degree of political urgency, since the dramatic shifts related to the future of work appeared to be at a manageable distance. As the pandemic has compressed the time frame for policy thinking and action, integration policymakers must align rapid responses with longer-term strategies by securing a seat at the table for broader recovery planning.

## 1 Introduction

The COVID-19 pandemic has thrown the global economy into disarray, with entire sectors grinding to a near-halt and international supply chains drastically disrupted. In the European Union, which was among the world regions that initially endured the full severity of the health crisis, the economic shock wave hit hard.<sup>1</sup> According to Eurostat, EU economies shrank by 6.4 per cent in 2020<sup>2</sup>—abruptly halting the bloc’s seven-year labour market recovery and plunging Europe into the deepest one-year recession since the Second World War.<sup>3</sup> Hopes of a rapid rebound were temporarily disappointed in early 2021, which saw persistent economic weakness and contraction<sup>4</sup> amid efforts to contain a third wave of the virus through strict lockdown measures. By Summer 2021, however, the successful rollout of vaccination campaigns allowed for greater optimism, with EU projections forecasting economic growth of approximately 4.8 per cent in 2021, and 4.5 per cent in 2022.<sup>5</sup> Yet, these forecasts remain subject to significant uncertainty—for example, due to the emergence of new variants of the virus (such as the Delta variant) that are more resistant to existing vaccines and that could delay the reopening of economies across the European Union.

Nonetheless, measured against the extent of economic damage, unemployment was remarkably contained in 2020 and ultimately less than during the global financial crisis, although the drop in GDP was more substantial now than in 2009.<sup>6</sup> Largely thanks to rapid, massive government investments (often backed by EU programmes)<sup>7</sup> to support struggling businesses, retain employment relationships, and protect vulnerable workers, the European Union averted a drearier scenario.<sup>8</sup> While the unemployment rate in the European Union increased by 1.2 percentage points between February 2020 (before the coronavirus

1 J. Scott Marcus et al., *The Impact of COVID-19 on the Internal Market* (Luxembourg: European Parliament Policy Department for Economic, Scientific, and Quality of Life Policies, 2021).

2 European Commission, ‘[European Economic Forecast, Winter 2021 \(Interim\)](#)’ (news release, Publications Office of the European Union, Luxembourg, 2021).

3 European Commission, *Labour Market and Wage Developments in Europe* (Luxembourg: European Parliament Policy Department for Economic, Scientific, and Quality of Life Policies, 2020).

4 European Commission, ‘[European Economic Forecast, Winter 2021](#)’.

5 European Commission, ‘[European Economic Forecast, Summer 2021](#)’ (institutional paper 156, Publications Office of the European Union, Luxembourg, July 2021).

6 European Commission, ‘[Report on the European Instrument for Temporary Support to Mitigate Unemployment Risks in an Emergency \(SURE\) Following the COVID-19 Outbreak Pursuant to Article 14 of Council Regulation \(EU\) 2020/672](#)’ (COM [2021] 148 final, 22 March 2021).

7 For example, in 2020 the European Commission launched SURE, the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency. By March 2021, the programme had disbursed approximately 75 million euros in loans to 17 Member States. See European Commission, ‘[The European Instrument for Temporary Support to Mitigate Unemployment Risks in an Emergency \(SURE\)](#)’, accessed 14 April 2021.

8 Eurofound, *COVID-19: Policy Responses across Europe* (Luxembourg: Publications Office of the European Union, 2020).

outbreak was declared a pandemic) and December 2020, when it stabilised at 7.5 per cent,<sup>9</sup> this figure compares favourably with other world regions, such as the Americas.<sup>10</sup> In June 2021, unemployment in the EU stood at 7.1 per cent,<sup>11</sup> getting closer to pre-pandemic levels,<sup>12</sup> although this figure masks a sizeable drop of working hours per person.<sup>13</sup>

Meanwhile, the COVID-19 pandemic and its labour market consequences have highlighted once again the contradictory position of immigrant workers in European economies. On the one hand, they are often employed in key occupations that kept basic economic functions and services running, even during the crisis, including teachers, agricultural workers, care workers, and cleaners.<sup>14</sup> On the other hand, their ties to the labour market are fragile, and therefore they face a higher risk of displacement during downturns. Migrant workers frequently work in temporary and flexible jobs, have little financial cushion to help them weather income drops, or lack the social and human capital necessary to find alternative, and especially higher-wage, options.<sup>15</sup> This is particularly true for immigrants who arrived for reasons other than work, including recent cohorts of asylum seekers, many of whom were still preparing to enter receiving-country labour markets after participating in years-long, government-funded integration programmes.

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At a time of persisting public-health concerns and generalised social and economic hardship, European governments may not always prioritise the specific risks faced by immigrant workers and jobseekers. Yet, in diverse societies and stratified labour markets, neglecting these risks could lead to high long-term costs, such as persistent poverty and exclusion or intergenerational disadvantage. Moreover, failing to help migrant workers ride out the economic shock from the pandemic may push them to return to their origin countries or move to destinations offering greater safety nets and opportunities: for example, according to some estimates, up to 1.3 million foreign-born workers may have left the United Kingdom between late 2019 and late 2020.<sup>16</sup> This pattern risks quickly dismantling pools of foreign-born talent that countries have taken years to build. Moreover, this human capital may prove hard to rebuild as economies recover, as public-health-related mobility restrictions may remain in place for some time.<sup>17</sup> Meanwhile, in prominent

9 European Commission, 'European Economic Forecast, Winter 2021'.

10 International Labour Organization (ILO), *ILO Monitor: COVID-19 and the World of Work* (Geneva: ILO, 2021).

11 Eurostat, 'Unemployment Statistics – Monthly Data', updated June 2021.

12 The EU unemployment rate was 6.3 per cent in June 2019, and 6.8 per cent in June 2018. See Eurostat, 'Euro Area Unemployment at 7.5%' (news release 124, 31 July 2019).

13 European Commission, 'European Economic Forecast, Summer 2021'.

14 Francesco Fasani and Jacopo Mazza, 'Immigrant Key Workers: Their Contribution to Europe's COVID-19 Response' (IZA Policy Paper No. 155, April 2020).

15 Francesco Fasani and Jacopo Mazza, *A Vulnerable Workforce: Migrant Workers in the COVID-19 Pandemic* (Ispra: Publications Office of the European Union, 2020).

16 Michael O'Connor and Jonathan Portes, 'Estimating the UK Population during the Pandemic', Economic Statistics Centre of Excellence, 14 January 2021; Alice Hancock, Jasmine Cameron-Chileshe, and Peggy Hollinger, 'Foreign Workers Flee UK as Pandemic and Brexit Bite', *Financial Times*, 25 January 2021. Madeleine Sumption, Director of the Migration Observatory at the University of Oxford, expressed reservations about these high estimates—highlighting limitations in the availability, quality, and comparability of data—while agreeing that available evidence points to a substantial decrease in foreign-born UK residents. See Madeleine Sumption, 'Where Did All the Migrants Go? Migration Data during the Pandemic' (commentary, The Migration Observatory, Oxford, 5 February 2021). See also George Parker et al., 'How Two Decades of EU Migration Went into Reverse', *Financial Times*, 1 April 2021.

17 Meghan Benton, Jeanne Batalova, Samuel Davidoff-Gore, and Timo Schmidt, *COVID-19 and the State of Global Mobility in 2020* (Washington, DC, and Geneva: Migration Policy Institute and International Organization for Migration, 2021).

destinations for recent humanitarian arrivals, such as Germany and Sweden, the economic fallout of the pandemic risks interrupting—or worse, reversing—the integration progress that newcomers have achieved, supported by sizeable and smart government investments.

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Aware of these risks, Member State governments have taken some steps to protect migrant workers.<sup>18</sup> In March 2020, Portugal granted temporary access to full residence rights to all immigrants and asylum seekers with pending applications—thus allowing them to access health care and welfare benefits. The country repeated this measure in November, when the

government declared a new state of emergency.<sup>19</sup> Ireland included migrants, refugees, and asylum seekers in its pandemic-related income support, and several countries (such as Finland, Czechia, and Slovakia) granted greater leeway to labour migrants to change employers and sectors without jeopardising their right to stay.<sup>20</sup> Italy launched a regularisation programme to give irregular workers in agriculture, domestic work, and social care access to labour and social protections and more stable residence status.<sup>21</sup> Meanwhile, Austria, France, Germany, Sweden, and several other Member States have significantly invested in making integration courses, language learning, and skill-building programmes for migrants available online.<sup>22</sup>

While these measures may have significantly helped to stabilise the position of many immigrants and allowed them to weather uncertainty, policymakers and researchers have focused mainly on how the crisis has affected or may affect migrant workers in the short term, and on the protections needed to address these challenges. They have paid less attention to potential long-term ramifications. Some economic thinkers suggest that COVID-19 is likely to accelerate labour market transformations and possibly even change the main tenets and values underlying our economies, for example, by redefining social contracts and prevailing models of economic growth.<sup>23</sup> In this context, integration policy faces complex questions. What new challenges and opportunities may arise for migrant and refugee integration in post-pandemic labour markets? And how can governments put diverse workforces at the centre of economic recovery?

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18 For an overview, see European Migration Network, 'Working Document to Support the EMN Inform: EU and OECD Member States Responses to Managing Residence Permits and Migrant Unemployment During the COVID-19 Pandemic' (issue brief, 2020); Organisation for Economic Cooperation and Development (OECD), 'What Is the Impact of the COVID-19 Pandemic on Immigrants and Their Children?' (OECD Policy Responses to Coronavirus, 19 October 2020).

19 European Web Site on Integration, 'COVID-19's Impact on Migrant Communities (2.0)', updated 12 February 2021.

20 Lauren Boland, 'Direct Provision Residents Will Now Be Eligible for Pandemic Unemployment Payment', *thejournal.ie*, 6 August 2020; World Bank Group, 'Potential Responses to the COVID-19 Outbreak in Support of Migrant Workers' (Living Paper Version no. 10, 19 June 2020); European Web Site on Integration, 'COVID-19's Impact on Migrant Communities (2.0)'.

21 European Web Site on Integration, 'Italian Government Adopts Targeted Regularisation for Migrant Workers', updated 18 May 2020. The scheme, which captured public attention to the pandemic to address the longstanding issue of migrant exploitation in the shadow economy, surpassed expectations in terms of applications, particularly from domestic and agricultural workers. Participant comments during the Migration Policy Institute (MPI) Europe's Integration Futures Working Group online meeting 'The Role of Immigrant Integration in the Economic Recovery', 10 September 2020.

22 OECD, 'What Is the Impact of the COVID-19 Pandemic on Immigrants and their Children?'; Benjamin Bathke, 'Germany Invests in E-Learning after 220,000 Migrants Had to Interrupt Integration Courses', *Infomigrants*, 19 May 2020.

23 T. Ibn-Mohammed et al., 'A Critical Analysis of the Impacts of COVID-19 on the Global Economy and Ecosystems and Opportunities for Circular Economy Strategies', in *Resources, Conservation and Recycling* 164 (January 2021); Overseas Development Institute, *Delivering the Global Reset* (London: Overseas Development Institute, 2021).

The next section outlines migrant workers' immediate vulnerabilities in labour markets affected by the pandemic. Section 3 then describes likely future labour market trends and related challenges for immigrant integration as European economies reopen and begin to recover. Section 4 presents policy ideas that can harness these trends to maximise migrant and refugee workers' contribution in European economies in years to come. Finally, Section 5 offers some recommendations and concluding reflections.

## 2 Struggling Now, Left behind Later? Migrant Workers in Pandemic-Hit Labour Markets

The impact of COVID-19 on European economies has highlighted migrant workers' fragile position in labour markets and the risks to their integration. Figures from across Europe confirm this picture. In Italy, during the first wave of the pandemic in Spring 2020, the employment rate of non-EU migrants fell by more than 11 per cent compared to the same period one year before, in contrast to a 3 per cent drop for Italian nationals.<sup>24</sup> In Spain, by the end of 2020, the unemployment rate of foreigners had reached 37 per cent—more than 20 percentage points above the national average.<sup>25</sup> Around the same time, in Sweden, migrant unemployment had risen by 3.5 percentage points versus only 1 percentage point among nationals, compared to one year before.<sup>26</sup>

The labour market trends and integration policy factors that have contributed to this vulnerability include:

- ▶ **Overrepresentation in hard-hit sectors.** The pandemic has highlighted immigrants' important contributions in essential activities—that is, those considered critical to ensure people's health, well-being, and safety even during lockdown. Recent research shows that migrants constitute 13 per cent of essential workers in the European Union,<sup>27</sup> in sectors such as personal care, transport, cleaning, and health care. Moreover, in the EU-14 (the higher-income Member States forming the old core of the bloc) and the United Kingdom, 42 per cent of non-EU migrant workers hold essential jobs—7 percentage points higher than among nonmigrants.<sup>28</sup> At the same time, some sectors in which COVID-19 has caused the most severe employment losses due to lockdowns and social distancing have high concentrations of migrants, such as security, cleaning services, and hospitality but also transport, food production, nonessential retail, and domestic care.<sup>29</sup> Moreover, occupations in which migrants are concentrated have low 'teleworkability', meaning they cannot be performed remotely.<sup>30</sup> These jobs have thus exposed migrants to a dual risk: losing their job or contracting the virus. These risks especially affect recent refugee arrivals who have managed to enter the workforce. In Sweden, one in four men arriving as refugees or family migrants works in the heavily affected hotel and

24 Italian Ministry of Labour and Social Policies, *Nota semestrale: Gli stranieri nel mercato del lavoro in Italia* (Rome: Ministry of Labour and Social Policies, 2021).

25 The Local Spain, 'Spain's Foreigner Unemployment Rate Shoots Up by 37% Due to Covid Crisis', The Local Spain, 8 March 2021.

26 Simon Johnson, 'New Swedes' Left Out as Economy Powers through Pandemic', Reuters, 17 March 2021.

27 Fasani and Mazza, 'Immigrant Key Workers'.

28 Francesco Fasani and Jacopo Mazza, 'COVID-19 and Migrant Workers' Employment Prospects in Europe', VoxEU.org, 25 January 2021.

29 In southern European EU Member States, for example, more than half of all domestic service workers are immigrants. See OECD, 'What Is the Impact of the COVID-19 Pandemic on Immigrants and Their Children?'

30 Fasani and Mazza, *A Vulnerable Workforce*. In Germany, for example, while more than one-third of the country's overall workforce can perform their job remotely, this applies to only one-fifth of non-nationals.

restaurant sector, while women are often employed in home and personal care.<sup>31</sup> And in Germany, only 3 per cent of employed refugees were able to shift to teleworking in response to the crisis, compared to more than one-third of native-born workers and nonrefugee immigrants.<sup>32</sup>

- ▶ **Working in precarious conditions.** Migrant workers in the European Union are disproportionately hired under fixed-term and part-time contracts, relative to both nationals and mobile EU workers: the share of third-country nationals in temporary employment is 18 per cent, compared to 12 per cent among the native born.<sup>33</sup> Moreover, migrant workers earn significantly less: as a 2020 International Labour Organization (ILO) report shows, migrant workers in the European Union earn on average about 8.6 per cent less than national workers.<sup>34</sup> And while precise data on migrants' role in the platform economy are still lacking, a growing body of research points to the attractiveness of gig work for migrants seeking easily accessible, unbureaucratic income opportunities.<sup>35</sup> This precariousness exposes migrant workers to a higher risk of layoffs (or nonrenewal of contracts) in times of employment contraction. It also makes it harder to access benefits, particularly for gig workers who, due to their status in the grey area between employees and entrepreneurs, may not qualify for safety nets designed for either category. Again, recently arrived refugees may be particularly vulnerable. In Germany, nearly half of those who arrived as asylum seekers since 2013 were employed five years after arrival;<sup>36</sup> yet, approximately three-quarters of all employed refugees have temporary contracts, compared to only 12 per cent among German nationals, and refugees are more than three times more likely to work in simple helper jobs (i.e., low-skilled jobs not requiring completion of vocational training, such as performing simple tasks in manufacturing or hospitality).<sup>37</sup>
- ▶ **Roadblocks to accessing unemployment and other social benefits.** Precarious work relationships with limited rights are not the sole hurdle preventing immigrant workers from accessing social protection that would help them compensate for income losses during times of downturn. Further obstacles may include eligibility (based on nationality or residence) criteria as well as language and informational barriers. Italy's *Reddito di Cittadinanza* (Citizens' Income), an antipoverty benefit introduced in March 2019, is a case in point: due to residence-based access criteria, one year after the benefit's launch non-EU nationals were only about 6 per cent of recipients, even though estimates

31 SNS, 'Refugees and Family Migrants at Risk of Being Particularly Affected by the Corona Crisis' (press release, 22 April 2020).

32 Herbert Brücker, 'Wie wirkt sich die COVID-19 Pandemie auf die Erwerbsmigration und Arbeitsmarktlage von Migrantinnen und Migranten aus?' (virtual presentation for the event 'Neun Monate Pandemie: Auswirkungen von COVID-19 auf Erwerbsmigration und Arbeitsmarktlage von Migrantinnen und Migranten', hosted by Bertelsmann Stiftung, 9 December 2020).

33 European Migration Network and OECD, *EU and OECD Member States Responses to Managing Residence Permits and Migrant Unemployment During the COVID-19 Pandemic* (Brussels: European Migration Network, 2020). This is especially the case in key occupations, in which non-EU workers are nearly 50 per cent more likely to be employed under temporary contracts compared to nationals. See Fasani and Mazza, *A Vulnerable Workforce*.

34 Silas Amo-Agyei, *The Migrant Pay Gap: Understanding Wage Differences Between Migrants and Nationals* (Geneva: ILO, 2020).

35 See Niels van Doorn and Darsana Vijay, 'The Appeal and Challenges of Platform-Based Work from the Perspective of Three Migrant Workers', Platform Labour, 18 December 2019; Niels van Doorn, Fabian Ferrari, and Mark Graham, 'Migration and Migrant Labour in the Gig Economy: An Intervention', SSRN, 8 June 2020; Liam Patuzzi and Meghan Benton, 'Zipline or Trap? How the Gig Economy May Affect Immigrant Integration', IOM Migration Data Portal, 18 March 2019.

36 Herbert Brücker, Philipp Jaschke, and Yuliya Kosyakova, *Integrating Refugees and Asylum Seekers into the German Economy and Society: Empirical Evidence and Policy Objectives* (Washington, DC: MPI, 2019); Institut für Arbeitsmarkt und Berufsforschung (IAB), 'Integration in Arbeitsmarkt und Bildungssystem macht weitere Fortschritte' (IAB Kurzbericht 4, 4 February 2020).

37 Brücker, 'Wie wirkt sich die COVID-19 Pandemie auf die Erwerbsmigration'. See also Frederick Sixtus, Tanja Kiziak, and Reiner Klingholz, *Von individuellen und institutionellen Hürden: Der lange Weg zur Arbeitsmarktintegration Geflüchteter* (Berlin: Berlin-Institute for Population and Development, 2019).

identify them as nearly one-third of people at risk of poverty.<sup>38</sup> In response to COVID-19, some European countries temporarily relaxed some of these eligibility barriers. Spain, Belgium, and France, for example, extended coverage to workers with less-stable employment contracts and shorter contribution periods. The Netherlands and Sweden granted foreigners access to financial support for self-employed and small businesses.<sup>39</sup> But this has not occurred everywhere: in Italy, suggestions by high-ranking civil servants to grant immigrants with fewer than ten years of residence access to the *Reddito di Cittadinanza* prompted heated political responses.<sup>40</sup> When the urgency of the crisis subsides, whether and for how long governments will be willing to risk their political capital by extending these protection measures will become clearer.

- ▶ **Temporary suspension of integration support.** Lockdowns and social distancing regulations have interrupted integration programmes in many countries, thus hindering the skill-building and language-learning investments that would help migrant and refugee jobseekers re-enter the labour market when recovery starts. In mid-March 2020, Germany suspended all government-funded integration and language courses coordinated by the Federal Office for Migration and Refugees, affecting approximately 220,000 beneficiaries.<sup>41</sup> As of June 2021, in-person offerings had not yet resumed everywhere.<sup>42</sup> While the government has tried to respond by providing digital learning opportunities—and in October 2020 announced a ‘digital offensive’ to expand the use and accessibility of digital classrooms, social media counselling, and other formats—there are doubts about how effective these formats are, especially in reaching groups with limited technical know-how or digital devices.<sup>43</sup> Other countries, such as Sweden and the Netherlands, have extended support under their integration programmes to make up for lost time.<sup>44</sup> But periods of forced inactivity and isolation may have eroded acquired skills, networks, and trust, which will likely take considerable time to reverse. Yet another concern is that the pandemic risks causing lasting harm to the landscape of private providers contracted by governments to provide language courses and other integration supports, as many have struggled to adapt their business models to the new reality.<sup>45</sup>

38 Ferruccio Pastore, ‘Migrant Integration in Times of the Lockdown. Some Reflections from Italy’, *Trafig Blog*, 23 March 2020. The *Reddito di Cittadinanza* is only available to migrants with at least ten years of legal residence in Italy. Moreover, migrant applicants are required to enclose an official certification from the country of origin attesting to assets, properties, and income. See European Web Site on Integration, ‘Troubles Ahead for Migrants’ Access to New Citizens’ Income in Italy’, updated 6 June 2019. With regard to similar barriers to accessing social assistance in France and Germany, see Ravza Belemir Aydin and Lluís Francesc Peris Cancio, ‘Immigration and Income-Support Schemes in Germany, France and Italy. A Preliminary Comparison’ (DiSSE Working paper no. 05/2020, 2020).

39 OECD, ‘What Is the Impact of the COVID-19 Pandemic on Immigrants and Their Children?’

40 *Il Fatto Quotidiano*, ‘La sottosegretaria Guerra: “I poveri non stanno sul divano: tanti lavorano. Reddito da rafforzare per famiglie numerose e stranieri”’, *Il Fatto Quotidiano*, 16 June 2021; Giampiero Maggio, ‘Lega e Fdl scatenate dopo le parole di Tridico: “Siamo nel delirio più totale”’, *La Stampa*, 26 March 2021.

41 This included approximately 140,000 participants of generic language integration courses and approximately 80,000 participants of specialised vocational language classes. See Christian Unger, ‘Bamf: 40 Millionen Euro für digitale Kurse für Flüchtlinge’, *WAZ*, 19 May 2020.

42 In June 2021, in a letter to providers of integration courses, the Federal Office for Migration and Refugees confirmed that, despite sinking infection numbers, it was not yet possible to return to the regular implementation of integration courses and allowed course providers to continue with online learning models until December 2021. See German Federal Office for Migration and Refugees (BAMF), ‘Trägerrundschreiben Integrationskurse 14/21. Verlängerung der Modelle und Anpassung der Nachweiserfordernisse im virtuellen Klassenzimmer’, updated 24 June 2021.

43 Alexander Moskovic, ‘Wie Corona zur Integrationshürde wird’, *Tagesschau*, 21 November 2020.

44 OECD, ‘What Is the Impact of the COVID-19 Pandemic on Immigrants and Their Children?’

45 Participant comments during MPI Europe’s Integration Futures Working Group online meeting ‘The Role of Immigrant Integration in the Economic Recovery’, 10 September 2020.

Integration policymakers have been aware of most of these vulnerabilities for years. Yet, two things have fundamentally changed. First, the current crisis has massively increased the urgency of these issues, reducing policymakers' time frame for action. Second, any policy thinking applied to these challenges must consider that economies and labour markets could emerge from this crisis dramatically reshaped, and conventional policy responses may rapidly become obsolete.

Additionally, many of the ways in which dimensions of inequality (for example, along the lines of socioeconomic status, gender, age, ethnicity, and migration status) have intersected during the pandemic, deepening existing vulnerabilities and creating new challenges, may only become clear in the coming years. Migrant women, in particular, risk paying a particularly high, long-term price in the labour market (see Box 1).

### BOX 1

#### Where Disadvantages Intersect: Migrant women and COVID-19

The COVID-19 crisis has exacerbated wide gender-based inequalities in European labour markets, due to several factors. For one, heavy job losses have affected many sectors dominated by female workers, such as personal services and domestic work; moreover, many women have undertaken additional child-care responsibilities due to school closures. Immigrant women are likely to feel these effects particularly strongly, both immediately and for years to come, due to their already more-precarious ties to labour markets. In the European Union, their unemployment rate is higher than those of both foreign-born men and native-born women; yet, they tend to be underrepresented in employment support schemes. Young migrant women are especially vulnerable: in the European Union, one in four is not in employment, education, or training (NEET)—more than twice the rate among young nationals.

The situation tends to be worse for women with a refugee background, who may face greater hiring barriers due to factors such as lower education levels, limited work experience, weaker social networks, and greater family responsibilities, sometimes rooted in more-traditional gender roles. As German research suggests, even refugee women in employment tend to be concentrated in low-level helper jobs, hold precarious contracts, and perform contact-intensive activities—all disproportionately affected by the pandemic. In recent years, some European governments have increased their investments in measures to promote migrant and refugee women's labour market integration, including women-only language courses and mother-and-child programmes. Yet, many of these models—often centred on empowerment, promoting social capital, and providing holistic support by linking up different services—rely on in-person delivery and have therefore been hard to replicate digitally over the past year.

Without adequate countermeasures, this situation risks having persistent scarring effects. In post-pandemic economies, addressing immigrant women's double disadvantage will require both highly targeted offerings and wider gender-equality policies, such as helping women navigate complex life transitions by improving work-family balance. In slack labour markets, entrepreneurship and volunteer engagement could provide alternative activation opportunities, if their potential to strengthen self-confidence, networks, skills, and autonomy is maximised (see Sections 4.A. and 4.B.).

Sources: Organisation for Economic Cooperation and Development (OECD), 'How to Strengthen the Integration of Migrant Women?' (Migration Policy Debates No. 25, November 2020); European Commission, 'Action Plan on Integration and Inclusion 2021-2017' (COM [2020] 758 final, 24 November 2020); Yuliya Kosyakova, 'Auswirkungen der Maßnahmen zur Eindämmung der Corona-Pandemie auf die Arbeitsmarktintegration von geflüchteten Frauen' (Working Paper 02/2021, Network IQ, February 2021); Abi Adams-Prassl, Teodora Boneva, Marta Golin, and Christopher Rauh, 'Inequality in the Impact of the Coronavirus Shock: Evidence from Real-time Surveys' (Cambridge-INET Working Paper Series No. 2020/18, April 2020).

### 3 COVID-19 and Labour Market Change

While the pandemic has stimulated abundant thinking on what future economies may look like, making predictions is hard. Recent downturns, such as the Great Recession that started in 2007, provide limited lessons as they had their roots mostly in structural imbalances of financial systems rather than in an external shock. Yet, developments observed in more than one year of COVID-19 crisis suggest some long-term trends—from accelerated automation to growth in atypical work to wider economic restructuring and the emergence of new industries and sectors—that will likely transform the fabric of European economies and labour markets, and create new pressures for employment services.

#### A. *Accelerated automation, changing supply chains, and emerging sectors*

One likely effect of the COVID-19 crisis on European and global labour markets is a rise in digitisation, artificial intelligence, and automation. Economic crises have historically accelerated technological change, as struggling businesses may invest in technology seeking to save labour costs.<sup>46</sup> Most recently, during the Great Recession, U.S.-based firms in hard-hit areas sought to replace less-skilled workers with labour-saving technologies.<sup>47</sup> The current downturn may well break all records, as COVID-19 forced employers to shift away from models relying on physical interaction and invest in technology-based solutions. Stories of automation throughout the value chain have proliferated since the pandemic's outbreak—from greater reliance on labour-replacing technology such as irrigation and harvesting systems in agriculture, to automated guided vehicles replacing traditional forklifts in the logistics sector, to robots gaining a foothold in grocery retail and even in cleaning and disinfecting airports.<sup>48</sup> But more-prosaic changes are also underway, such as the shift from brick-and-mortar retail to online shopping and kerbside pickup for prepared food, that may indefinitely reduce the number of employees in service sectors.

Forecasts show that in the sectors most affected by COVID-19—including manufacturing, transportation, and retail—up to one-quarter of all new jobs expected to be created before 2030 in the European Union (almost 1.5 million jobs) risk being automated.<sup>49</sup> And if companies seek to reshore production to reduce exposure to shocks in global value chains (discussed further below), they may try to offset higher labour costs by investing in robotics, for example.<sup>50</sup> On the other hand, history shows that employers are often cautious when it comes to embracing new technologies—and that this process of adaptation often adds skill requirements to jobs rather than destroying them, while also creating new employment

46 Brad J. Hershbein and Lisa B. Kahn, 'Do Recessions Accelerate Routine-Biased Technological Change? Evidence from Vacancy Postings Evidence from Vacancy Posting' (Upjohn Institute Working Papers, 17 October 2016).

47 Mark Muro, 'Will the Covid-19 Pandemic Accelerate Automation?', *The Economist*, 22 April 2020.

48 See, for example, Marcus Casey and Ember Smith, 'Automation from Farm to Table: Technology's Impact on the Food Industry', Brookings Institution, 23 November 2020; *The Economist*, 'Is the Pandemic Accelerating Automation? Don't Be So Sure', *The Economist*, 19 June 2021.

49 European Centre for the Development of Vocational Training (Cedefop), 'Coronavirus, Automation and the Future of Work', updated 15 May 2020.

50 *The Economist*, 'After Years of Dithering Companies Are Embracing Automation', *The Economist*, 16 January 2021.

opportunities.<sup>51</sup> Estimates are still inconclusive regarding the effects of the current crisis. A 2021 McKinsey Global Institute study suggests that surges in automation and in the use of artificial intelligence did not materialise worldwide during the pandemic, possibly because economic uncertainty stifled companies' willingness to invest.<sup>52</sup> Others observers have lamented the largely anecdotal basis of the debate around pandemic-induced automation and have pointed, for example, to U.S. data suggesting that routine jobs (those generally thought to be most exposed to automation) have made up an increasing share of total employment in the country during the pandemic.<sup>53</sup> Yet, a 2020 World Economic Forum global survey of nearly 300 business leaders worldwide indicates larger companies' strong desire to automate work processes, with more than 80 per cent of respondents signalling that they took steps to accelerate this automation.<sup>54</sup> Ultimately, the outcome will hinge on public-health and economic considerations, but also on how much companies will have already invested in new technologies by the time countries get the public-health crisis under control and physical-distancing measures are no longer needed: the higher these investments are, the lower the incentives will be to return to pre-COVID-19 routines.

In addition to potentially accelerating digitisation and automation trends, the COVID-19 crisis will likely shake up the fabric of European economies in other ways. One likely dynamic may be the reshoring and regionalisation of supply chains, which would allow businesses and governments to shield their operations from global shocks, gain greater geopolitical autonomy, and attempt to stimulate employment growth at home.<sup>55</sup> Moreover, the significant drop in greenhouse gas emissions resulting from lockdown policies and restrictions on international travel has sparked debate around shaping a 'green recovery' that, with the right, forward-looking investments (for example, in public transportation) could lead to the creation of new sectors and jobs. Similarly, new work opportunities will emerge from the digital transition. In 2020, the e-commerce sector grew at twice the rate of the previous five years in Germany and France, and nearly five times faster in Spain and the United Kingdom.<sup>56</sup> If this and similar trends continue, the demand for cybersecurity professionals—already a bottleneck profession in the European Union—will rapidly boom.<sup>57</sup>

*In addition to potentially accelerating digitisation and automation trends, the COVID-19 crisis will likely shake up the fabric of European economies in other ways.*

Other technological developments may also leave a deep mark on economies and job markets. While still a small industry, 3D-printing, which crucially eased the pressure on supply chains and governments at the peak of the pandemic, could penetrate manufacturing, creating high-level employment opportunities for those with the right skills.<sup>58</sup>

51 Terence Hogarth, *COVID-19 and the Demand for Labour and Skills in Europe* (Brussels: MPI Europe, 2021); David H. Autor, 'Why Are There Still So Many Jobs? The History and Future of Workplace Automation', in *Journal of Economic Perspectives* 20, no. 3 (Summer 2015): 3–30.

52 Susan Lund et al., *The Future of Work after COVID-19* (N.p.: McKinsey Global Institute, 2021).

53 *The Economist*, 'Is the Pandemic Accelerating Automation?'

54 World Economic Forum, *The Future of Jobs Report 2020* (N.p.: World Economic Forum, 2020).

55 Demetrios G. Papademetriou, *Managing the Pandemic and Its Aftermath: Economies, Jobs, and International Migration in the Age of COVID-19* (Washington, DC: MPI, 2020); Lucian Cernat, ed., 'Trade Policy Reflections beyond the COVID19 Outbreak' (European Commission Chief Economist Note, Issue 2, June 2020).

56 Lund et al. *The Future of Work after COVID-19*.

57 Currently, estimates point to a gap of around 300,000 cybersecurity professionals across the European Union. See European Commission, *European Skills Agenda for Sustainable Competitiveness, Social Fairness and Resilience* (Luxembourg: Publications Office of the European Union, 2020).

58 3D printing currently accounts for less than 0.1 per cent of global manufacturing revenues. See Cernat, ed., 'Trade Policy Reflections beyond the COVID19 Outbreak'.

The pandemic will also likely accelerate the polarisation of European labour markets. Many new high-quality, rewarding job opportunities could emerge, but the twin threats of automation and decreasing demand for certain services could cause migrant workers in Europe to end up displaced or experience reduced wages and working conditions. Research from the past few years found that migrants are concentrated in automation-susceptible jobs (for example, manual occupations with repetitive routines, such as helper-level jobs in manufacturing and services).<sup>59</sup> Accelerated change will make it harder to alleviate this risk through targeted reskilling and upskilling.<sup>60</sup> And while migrants and refugees may benefit from expected job increases in the care sector, in which they are already a large share of the workforce, other high-quality employment opportunities arising from historic economic shifts will remain largely inaccessible to those lacking specific technical expertise and transversal skills<sup>61</sup> such as critical and systems thinking (referred to as ‘automation-complementing skills’).<sup>62</sup> Overcoming this gap will require not just integration measures but, rather, a critical examination of roadblocks within European education and training systems, in which immigrant and refugee learners often underperform,<sup>63</sup> given that educational attainment is a key predictor of whether individuals can find employment in occupations at lower risk of automation.

## B. *The move to remote work*

The shift to teleworking was among the most immediate and visible responses to COVID-19. A survey conducted by Eurofound suggests that, in July 2020, 48 per cent of the EU workforce worked at least in part remotely as a result of the pandemic, and 34 per cent reported working exclusively from home.<sup>64</sup> As a comparison, only 15 per cent had ever teleworked before the outbreak—with large differences across skill levels, sectors, and EU Member States<sup>65</sup>—and only 5 per cent did so regularly in 2019.<sup>66</sup> Many companies quickly adapted their routines in the first months of lockdown. Now, as employers’ pre-pandemic hesitations

59 Federico Biagi et al., *Migrant Workers and the Digital Transformation in the EU* (Luxembourg: Publications Office of the European Union, 2018). In Germany in the period 2013–19, migrants’ employment grew particularly strongly in manual occupations, including routine-based manual occupations; meanwhile, the share of nationals employed in manual routine-based occupations decreased significantly, while nonmanual, nonroutine-based occupations—especially analytical and interaction-based jobs—grew most rapidly. See Herbert Brücker, ‘Wie wirkt sich die COVID-19 Pandemie auf die Erwerbsmigration und Arbeitsmarktlage von Migrantinnen und Migranten aus?’ (presentation slides, 10 June 2020).

60 A study from the United States and 25 other countries, including several EU Member States, suggests that the automation resulting from COVID-19-driven automation could increase labour market disparities by displacing groups with low levels of wages and education. See Alex Chernoff and Casey Warman, ‘Down and Out: Pandemic-Induced Automation and Labour Market Disparities of COVID-19’, VoxEU.org, 2 February 2021.

61 Cedefop defines transversal skills as those skills which can be easily transferable across different jobs; this includes, for example, communication skills, team-working skills, problem-solving skills, learning skills, and planning and organisation skills. See Cedefop, ‘Importance of Transversal Skills’, Skills Panorama, accessed 28 June 2021.

62 Kevin MacDonald and Harry Patrinos, ‘What Will Automation Do to the Labor Market if Education Quality Doesn’t Improve?’, World Bank blogs, 26 June 2020.

63 For example, the PISA 2018 study found that, even when controlling for socioeconomic factors, students with a migrant background have significantly lower reading performance than nonmigrant students on average across OECD countries, as well as in many EU Member States. The proportion of low-scoring pupils among those with a migrant background is much higher than among those with a nonmigrant background in several EU Member States. See OECD, *PISA 2018 Results (Volume II): Where All Students Can Succeed* (Paris: OECD Publishing, 2019); European Commission, *PISA 2018 and the EU: Striving for Social Fairness through Education* (Luxembourg: Publications Office of the European Union, 2019).

64 Eurofound, *Living, Working and COVID-19* (Luxembourg: Publications Office of the European Union, 2020); European Commission, ‘Telework in the EU before and after the COVID-19: Where We Were, Where We Head To’ (Joint Research Centre’s Science for Policy Briefs, 2020).

65 European Commission, ‘Telework in the EU Before and After the COVID-19’.

66 Eurostat, ‘How Usual Is It to Work from Home?’ (news release, 24 April 2020).

towards remote work significantly lessened and transitional costs largely covered—as many companies have had the time to adapt their routines—remote work will likely transform from a temporary coping strategy to a long-term reality for many.

While immigrant workers in the European Union are generally concentrated in professions that are hard to perform remotely, even in jobs in which telework is possible in principle (such as business administration, which counts high numbers of foreign-born workers across the bloc),<sup>67</sup> a lack of digital skills, access to technology, and adequate space may prevent migrants from seizing these opportunities.<sup>68</sup> A persistent digital divide in Europe<sup>69</sup> means that, as more companies are likely to shift from in-person to online interactions, many migrant workers may be unable to go along. Moreover, immigrants are much more likely to live in overcrowded apartments, making it hard to separate work and private life and curtailing productivity and concentration.<sup>70</sup> This especially affects large families that must share the same small spaces, and even the same devices, to perform remote work and school homework, possibly attend online integration courses, or tend to other immigration-related obligations.

Still, provided that these and other barriers are addressed, the shift to remote work may hold some opportunities for integration policy. For example, it could reduce the importance of location for employment, lowering a barrier for migrants living in deprived and poorly connected suburbs,<sup>71</sup> or in rural areas with affordable housing but limited jobs. Yet, remote work may also create new integration challenges. Reducing in-person interactions may weaken employment's role as a generator of bridging social capital (that is, social contact and trust between groups with different demographic characteristics; in this case, between people with and without a migrant background), leaving immigrants—especially newcomers with weak social ties—unable to overcome the challenges of isolation and marginalisation. And a work setting that excludes nonverbal communication with colleagues or clients may accentuate real or perceived language gaps and cultural differences, harming trust and migrant workers' self-confidence.

### C. *Growth of atypical work and the platform economy*

Forms of atypical work have been growing for years, due to increasing flexibility in labour markets and the expansion of online platform-based jobs and services (the gig economy), ranging from delivery and ride-hailing to content writing and software development. In the European Union, temporary and part-time

<sup>67</sup> Fasani and Mazza, *A Vulnerable Workforce*.

<sup>68</sup> Research from the United States shows that graduates who are racial/ethnic minorities (e.g., Black and Hispanic), when entering the workforce, are much less comfortable with remote jobs than their White counterparts, due to more limited digital equipment and inadequate housing conditions. See Elise Gould and Heidi Shierholz, 'Not Everybody Can Work from Home', Working Economics Blog, Economic Policy Institute, 19 March 2020.

<sup>69</sup> A 2017 European cross-country study found that children of immigrants have lower digital reading competence and that difficulties related to learning the receiving-country language can slow the development of digital skills. See Davide Azzolini and Antonio Schizzerotto, 'The Second Digital Divide in Europe: A Cross-National Study on Students' Digital Reading and Navigation Skills' (FBK-IRVAPP Working Paper No. 2017-02, August 2017).

<sup>70</sup> According to Eurostat, 36 per cent of non-EU migrants were living in overcrowded households in 2019, compared to 17 per cent among national citizens. See Eurostat, 'Migrant Integration Statistics - Housing', updated January 2021.

<sup>71</sup> A recent EU-funded research project (GEMM, Growth Equal Opportunities, Migration, and Markets) found that residents of areas with high concentration of minorities are less likely to be employed or tend to work in hubs with lower occupational status. These adverse outcomes are especially strong for migrant residents. See GEMM Project, *GEMM Policy Briefs in Focus* (N.p.: GEMM Project, 2020).

employment have continuously increased in recent decades, and nearly 15 per cent and more than 18 per cent, respectively, of the EU working-age population held such jobs at the end of 2019.<sup>72</sup>

The COVID-19 pandemic could spur the growth of atypical work, for several reasons. In a context of high unemployment, governments may resort to more flexible work relationships to incentivise labour market participation. This happened, for example, in the aftermath of the Great Recession in crisis-ridden countries such as Spain and Italy.<sup>73</sup> Moreover, while COVID-19's impact on gig economy businesses was initially uneven (with services such as ridesharing and house rentals rapidly dropping in revenues, while demand for delivery services increased),<sup>74</sup> in the medium term the pandemic will likely boost the gig economy, as platforms allow users to buy and sell services while reducing physical contact and cash exchanges.<sup>75</sup> Businesses trying to resume full operations in a context of uncertainty may increasingly use consultants and temporary labour as a low-risk staffing option.<sup>76</sup> And with remote work becoming more normalised, the psychological barrier for many workers and employers to engage in platform-based services will likely decrease.<sup>77</sup>

Early research and anecdotal evidence indicate that the gig economy is already a widespread entry point into work for (both regular and irregular) migrants.<sup>78</sup> Gig work may enable immigrants to circumvent employer reservations, language gaps, and other hiring hurdles, and it can be more flexibly combined with other commitments linked to integration. The post-pandemic era will likely see an expansion of these opportunities, and this may allow migrants to improve their income resilience by reducing the costs of microentrepreneurship. The risk, however, is that this trend will further push migrants and refugees to the bottom of highly segmented labour markets, as platform work is highly precarious and generally linked to low earnings and to limited social security entitlements and upskilling opportunities.<sup>79</sup> Especially if sustained high unemployment results in more people joining the ranks of platform workers, this may further drive down wages and worsen gig workers' situation in terms of redress and other entitlements.<sup>80</sup>

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*The risk is that this trend will further push migrants and refugees to the bottom of highly segmented labour markets, as platform work is highly precarious.*

72 Monika Kiss, 'The Future of Work: Trends, Challenges and Potential Initiatives' (European Parliamentary Research Service, EPRS Ideas Paper, February 2021).

73 Georg Picot and Arianna Tassinari, 'All of One Kind? Labour Market Reforms under Austerity in Italy and Spain', *Socio-Economic Review* 15, no. 2 (2017): 461–82.

74 Lund et al., *The Future of Work after COVID-19*.

75 Aditya Gupta, 'Gig Economy in a Post-COVID Era: The Future of Work Has Arrived', Medium, 13 June 2020.

76 A recent Deloitte survey of employers in India found that, as a result of COVID-19, several companies are exploring the options of moving parts of their operations to the gig economy, for example in the automotive industry. See Deloitte, *Future of Work Accelerated: Learnings from the COVID-19 Pandemic* (N.p.: Deloitte Touche Tohmatsu India LLP, 2020).

77 Gupta, 'Gig Economy in a Post-COVID Era'.

78 van Doorn and Vijay, 'The Appeal and Challenges of Platform-Based Work'; van Doorn, Ferrari, and Graham, 'Migration and Migrant Labour in the Gig Economy'.

79 Participant comments during MPI Europe's Integration Futures Working Group online meeting 'The Role of Immigrant Integration in the Economic Recovery', 10 September 2020.

80 Participant comments during MPI Europe's Integration Futures Working Group online meeting 'The Role of Immigrant Integration in the Economic Recovery', 10 September 2020.

COVID-19 has also dramatically exposed the precarity and lack of protection of gig economy workers,<sup>81</sup> and it has pressured gig economy companies and governments to improve safeguards. For example, the European Commission's work programme for 2021 includes a legislative initiative to improve the working conditions of platform workers, acknowledging their heightened vulnerability.<sup>82</sup> Yet, migrants may fall through the gaps if these reforms leave out the lowest-end, shadow sides of the gig economy, which appear to be a last resort to income for some foreign-born workers.<sup>83</sup> Or they may struggle to access newly introduced protections if these reforms do not include adequate counselling services; increasingly complex systems of social protection will require greater effort to navigate and could generate confusion for those with language gaps and low familiarity with receiving-country bureaucracy.

#### *D. New pressures on public employment support*

Vaccination campaigns are contributing to a brighter economic outlook. Yet, the bumpy, lengthy path towards recovery has increased the risk of lasting scars to European economies, and the process of adapting workers' skills to sweeping changes in the industrial fabric will take time.<sup>84</sup> As a result, public employment services will likely have to manage high numbers of under- and unemployed workers for years. Governments face the combined challenges of preserving short-term employment amid persistent uncertainty; adapting their counselling, skill-building, and all active labour market policies (ALMPs)<sup>85</sup> to the long-term skill demands of economies in rapid flux; and developing new solutions to support jobseekers and employers in ways that are safe, cost efficient, and tailored to needs—especially through digital formats. As the European Commission indicated in its March 2021 recommendations to Member States on how to support employment following the COVID-19 crisis, investing in upskilling and reskilling of displaced workers and in targeted public employment support for groups at risk will be key.<sup>86</sup>

From the outset of the COVID-19 pandemic, European governments were swift and agile in their response to the economic and social fallout of the crisis. To support struggling businesses, especially small and microenterprises, many governments introduced nonrepayable grants, established government-backed guarantees to loans, and deferred tax and social security contributions.<sup>87</sup> Job retention programmes such as short-time work (or furlough) schemes helped prevent permanent layoffs in a context of temporarily reduced work demand. While a few of these schemes were new, such as a temporary wage-compensation

81 A global study pointed to major gaps in protection for gig economy workers during the first lockdown in March–May 2020, in areas such as income compensation or ensuring safe working conditions. See the Fairwork Project, *The Gig Economy and Covid-19: Looking Ahead* (Oxford, UK: Fairwork, 2020).

82 European Commission, 'Protecting People Working Through Platforms: Commission Launches a First-Stage Consultation of the Social Partners' (press release, 24 February 2021).

83 Platform for International Cooperation on Undocumented Migrants (PICUM), *A Worker Is a Worker: How to Ensure that Undocumented Migrant Workers Can Access Justice* (Brussels: PICUM, 2020).

84 European Commission, 'European Economic Forecast, Winter 2021'.

85 Active labour market policies (ALMPs) refer to all measures aimed at increasing the employment chances of jobseekers and improving matching between vacancies and workers. These may include counselling, reskilling, upskilling, job-creation schemes, and subsidies to employers. See European Commission, 'Active Labour Market Policies' (European Semester Thematic Factsheet, 11 November 2017).

86 European Commission, 'Commission Recommendation on an Effective Active Support to Employment Following the COVID-19 Crisis' (C [2021] 1372 final, 4 March 2021).

87 European Commission, Directorate-General Economic and Financial Affairs, 'Policy Measures Taken against the Spread and Impact of the Coronavirus' (reference document, 16 November 2020); Eurofound, *COVID-19: Policy Responses across Europe*.

scheme introduced in Denmark in March 2020,<sup>88</sup> others already existed—such as the German *Kurzarbeit*, the Belgian *Chomage Temporaire*, and the French *Chomage Partiel*—but were made more accessible, unbureaucratic, and generous.<sup>89</sup> In Italy, for example, short-time work subsidies, normally a prerogative of large companies and certain sectors, were extended to all sectors and firm sizes.<sup>90</sup> Other countries, such as Belgium, Denmark, Finland, France, and Spain, temporarily extended income support and paid sick leave to groups such as self-employed and atypical workers, who were previously not fully covered.<sup>91</sup> As the crisis endured, some countries acted to protect those for whom unemployment benefits would run out, by temporarily raising minimum-income benefits and making them more accessible (for example, relaxing means-testing requirements).<sup>92</sup> For these measures to be implemented efficiently, they had to be matched with changes in the administrative apparatus: many governments quickly reallocated existing staff and made new hires to increase the capacity of public employment services, and also supported them in digitising their processes and adapting client outreach and communication.<sup>93</sup>

Considerable public spending was needed to back up these adjustments. Across the Organisation for Economic Cooperation and Development (OECD), by May 2020 job retention programmes supported more than 50 million jobs—almost ten times as many as during the 2008–09 financial crisis.<sup>94</sup> By March 2021, one year after the pandemic began, the European Commission had disbursed 75.5 million euros in loans to 17 Member States to help them finance measures to preserve employment and mitigate the economic and social impacts of the pandemic.<sup>95</sup>

This financial assistance, provided under the European Commission’s SURE instrument (Temporary Support to Mitigate Unemployment Risks in an Emergency), is meant to complement national measures and has been financed by the first-ever issuance of a social bond by the European Commission.<sup>96</sup> Going forward, however, European governments will face tough choices about which jobs and sectors will receive these types of support, based on assessment of which industries are only temporarily disrupted and which will likely disappear in post-pandemic economies.

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*European governments will face tough choices about which jobs and sectors will receive these types of support, based on assessment of which industries are only temporarily disrupted and which will likely disappear.*

88 Danish Ministry of Employment, ‘Tripartite Agreement on the Danish Labour Market to Retain Jobs and Pay of Salaried Employees in the Private Sector’ (memorandum, 15 March 2020).

89 European Commission, ‘Policy Measures Taken against the Spread and Impact of the Coronavirus’.

90 OECD, ‘Job Retention Schemes during the COVID-19 Lockdown and Beyond’ (OECD Policy Responses to Coronavirus, 12 October 2020).

91 Eurofound, *COVID-19: Policy Responses across Europe*.

92 OECD, ‘Supporting Jobs and Companies: A Bridge to the Recovery Phase’ (OECD Policy Responses to Coronavirus, 10 March 2021).

93 OECD, ‘Scaling Up Policies That Connect People with Jobs in the Recovery from COVID-19’ (OECD Policy Responses to Coronavirus, 29 April 2021).

94 OECD, ‘Job Retention Schemes during the COVID-19 Lockdown and Beyond’.

95 European Commission, ‘Commission Disburses Further €13 Billion under SURE to Six Member States’ (press release, 30 March 2021).

96 Social bonds are a market-based instrument that mobilises private capital for public goods and objectives linked to public or social utility. The SURE instrument was very successful: the first four bond issuances under SURE raised 53.5 billion euros from October 2020 to January 2021, and they were significantly oversubscribed by investors. The money raised was then transferred from the European Commission to Member States according to their requests. Thanks to the European Union’s high credit rating, Member States were able to save an estimated 5.8 billion compared to if they had issued sovereign debts themselves. See European Commission, ‘Report on the European Instrument for Temporary Support’; Jean-Francois Pons, ‘European Recovery Plan: Time for Green and Social Bonds’ (working paper, Institute Jacques Delors, 24 July 2020).

Moreover, the pressure to cater to structurally high numbers of clients may reduce governments' financial and political resources to focus on the needs of the most vulnerable groups of jobseekers, such as recent refugee arrivals. In the past five years, governments have experimented with new models to help the economic integration of newcomers, such as programmes combining language training, skill mapping, training, mentoring, and psychosocial support. To be sure, supporting disadvantaged jobseekers will remain a key objective of Member States' employment policies after the crisis. Yet, because of the pandemic, the scope of vulnerabilities is now much wider. Supporting women, youth, people with low levels of education, and workers in sectors that have suffered the greatest job losses will all take considerable financial resources and political attention—as an initial review of national recovery and resilience plans, submitted by Member States to the European Commission between Spring and Summer 2021, suggests.<sup>97</sup>

## BOX 2

### Short-Term Savings, Long-Term Costs? The 'scarring disadvantage' among immigrants

Prolonged unemployment can affect the employment chances, wages, and careers of workers (especially new labour market entrants) in the long term, due to what are known as 'scarring effects'. While not exclusive to migrants, scarring can be especially pronounced for them for several reasons. For one, unemployment may amplify migrants' other labour market disadvantages, such as discrimination from employers. Moreover, migrants may opt to weather periods of crisis through employment or self-employment within ethnic enclaves, but this may trap them in work with limited career prospects. In Ireland, for example, the employment penalty of immigrant workers compared to native-born workers—that is, the gap between the (higher) contraction in employment for migrants versus for nonmigrants—grew significantly during the Great Recession and fell only slightly during the subsequent recovery. Recent refugee arrivals may be especially vulnerable, as many of those who came to Europe during the 2015–16 period of heightened arrivals and subsequently participated in integration programmes were beginning to enter labour markets when the pandemic hit. A 2007 Swedish study highlighted that refugees entering a destination-country labour market during a severe recession face lasting disadvantages in terms of wages and employment conditions, compared to those entering a healthy labour market. Without measures to protect new labour market entrants, then, governments risk wasting skills that would be crucial for economic recovery, very low returns on investment in integration for refugees, and intensifying social inequalities.

Sources: Yaojun Li and Anthony Heath, 'Persisting Disadvantages: A Study of Labour Market Dynamics of Ethnic Unemployment and Earnings in the UK (2009–2015)', *Journal of Ethnic and Migration Studies* 46, no. 5 (2018): 857–78; Olof Åslund and Dan-Olof Rooth, 'Do When and Where Matter? Initial Labour Market Conditions and Immigrant Earnings', *The Economic Journal* 117, no. 518 (2007): 422–48; Elish Kelly, Seamus McGuinness, Philip O'Connell, Alberto González Pandiella, and David Haugh, 'How Did Immigrants Fare in the Irish Labour Market over the Great Recession?' (OECD Economics Department Working Paper No. 1284, April 2016).

Institutional and operational changes in the provision of employment support may also pose challenges to the effective labour market support of immigrant and refugee populations. Since the outbreak of the pandemic, public employment services have made important efforts to expand the availability of digital services, and digitisation will remain a priority going forward.<sup>98</sup> However, without adequate flanking measures, the shift to digitised services could leave behind migrants and refugees with limited digital skills. Another trend some observers have suggested may pick up pace in the years ahead is the contracting out

<sup>97</sup> European Commission, 'Recovery and Resilience Plans' Assessments', accessed 30 June 2021.

<sup>98</sup> Participant comments during MPI Europe's Integration Futures Working Group online meeting 'The Role of Immigrant Integration in the Economic Recovery', 10 September 2020. A survey implemented jointly by the OECD and the European Commission in late 2020 in 46 countries and regions, including 29 EU/EEA countries, found that the number of additional digitally accessible services made available in less than a year was almost larger than number available before the outbreak of the pandemic. See OECD, 'Scaling Up Policies That Connect People with Jobs'.

of employment services to private providers,<sup>99</sup> something that may allow governments to expand service provision, save costs, and involve organisations that are specialised in catering to certain target groups. Yet, as previous experiences have shown, contracting out employment services requires setting up the right system of indicators and incentives for private providers, in order to strike a good balance between profit-seeking behaviour and social objectives. Otherwise, the risk is that precisely those groups farthest from the labour market will be neglected, as addressing their needs tends to be costlier and may not lead to short-term job outcomes.<sup>100</sup>

## 4 Shaping Inclusive Post-Pandemic Labour Markets

Since the onset of the pandemic in early 2020, governments in Europe and beyond have taken numerous measures to shield immigrant and refugee workers from the most dire, immediate consequences of the pandemic. These measures include granting more leeway to temporary labour migrants to switch jobs, giving asylum seekers faster access to work, and expediting recognition procedures for foreign health-care professionals. But progressing from short-term protections to including migrant workers in medium- and long-term recovery plans will require policymakers to weigh costs and benefits across different time frames. This is not always easy. For example, encouraging displaced migrant workers to quickly accept any available job may give them an income lifeline and secure their residence status, but it risks depreciating their skills and trapping them in jobs without career prospects and security.

This section considers how to embed short-term responses within longer-term strategies that harness the economic transformations underway to advance migrants' economic inclusion. It focuses on three approaches: (1) cultivating entrepreneurship as a source of resilience; (2) maximising the social sector's potential as a stepping-stone to work; and (3) building on innovative stakeholder partnerships to make employment support more efficient yet inclusive.

### A. *Help workers cultivate the skills to seize emerging business opportunities*

In Europe and worldwide, the COVID-19 crisis has strained large parts of business activity, due to disrupted value chains and reduced investment and consumption. Across the OECD, the drop in business dynamism and the entry of new firms into the market was especially marked during the first lockdown in Spring 2020. And although the year overall saw a surprising drop in bankruptcies compared to 2019, some observers have cautioned that measures such as financial supports and temporary changes to insolvency procedures may have only delayed the inevitable.<sup>101</sup> Migrant entrepreneurs will likely be hit hard, as they tend to operate small and micro-businesses; rely on business models that are especially vulnerable to the current disruption (such as import-export or hospitality); lack a financial cushion to weather a drop in income; face

99 OECD, 'Scaling Up Policies That Connect People with Jobs'.

100 See, for example, Peter Lilley and Oliver Marc Hartwich, eds., *Paying for Success: How to Make Contracting out Work in Employment Services* (London: Policy Exchange, 2008); Tony Eardley, 'Outsourcing Employment Services: What Have We Learned from the Job Network?' (conference paper, University of New South Wales, Sydney, December 2003).

101 OECD, 'Business Dynamism during the COVID-19 Pandemic'.

higher barriers to accessing private credit, due to a lack of credit history and/or collateral; and may struggle to navigate the complex bureaucracy of available subsidies.<sup>102</sup>

At the same time, the post-pandemic economy will likely create new entrepreneurial opportunities. As market disruption hits existing businesses, it can open space for new entrants, particularly in sectors expected to get a boost from the pandemic, such as the green economy, e-learning, e-commerce, virtual meetings, or reshoring of supply chains. In some industrialised countries, early job creation figures seem to point to this trend. The number of new companies created in the United Kingdom was 15 per cent higher in 2020 compared to 2019.<sup>103</sup> France saw an increase of 4.5 per cent, with three-quarters of the new firms being launched by solo entrepreneurs.<sup>104</sup> In the United States, the number of registered new businesses was an impressive 25 per cent higher in 2020 than in 2019.<sup>105</sup> Several factors may account for this rather surprising entrepreneurial enthusiasm. Job displacement but also furlough and short-time work schemes left many workers with free time and pressure to make up for lost income. Meanwhile, the increased use of digital technologies in daily life might have raised awareness of opportunities to start and grow business activity online.

An entrepreneurial renaissance may offer some opportunities for immigrant and refugee integration. Starting a business is often in line with the professional preferences, cultural values, and previous work experience of many newcomers. It may also allow migrants to overcome hiring barriers—for example, resulting from a lack of formal training and qualifications gained in the destination country or employer discrimination—which will likely grow stronger during protracted unemployment and recession. In recent years, integration policymakers have increasingly invested in entrepreneurship as a recipe for the economic inclusion of newcomers facing hiring barriers and other obstacles to conventional employment. Ramping up these investments may also allow governments to benefit from what researchers have frequently pointed to as a higher entrepreneurial preference among migrants than native populations<sup>106</sup>—leveraging it as a resource for economic recovery.

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*Integration policymakers have increasingly invested in entrepreneurship as a recipe for the economic inclusion of newcomers facing hiring barriers.*

However, this requires reducing the traditional fragility of migrant businesses. European governments have taken specific measures during the pandemic to do this. For example, to support immigrant entrepreneurs, Germany has established a multilingual online platform and a network of dedicated caseworkers to provide migrant businesses with information on available financial aid.<sup>107</sup> At the EU level, the 2021–27 Action

102 Ali Abaday, 'Covid-19 Hit Immigrant Entrepreneurs Harder than Native Finns', *Foreigner.fi*, 4 June 2020.

103 BBC News, 'Eight Things We Learned about New Businesses in Lockdown', 30 December 2020. See also OECD, 'What Is the Impact of the COVID-19 Pandemic on Immigrants and Their Children?'

104 Béatrice Madeline, 'Le Covid-19 n'a pas découragé les entrepreneurs français', *Le Monde*, 19 December 2020.

105 Michael Sasso and Steve Matthews, 'U.S. Business Starts Enjoyed Their Best Year Ever amid Covid-19', *Bloomberg*, 13 January 2021.

106 For a recent look at this, see Peter Vandor, 'Are Voluntary International Migrants Self-Selected for Entrepreneurship? An Analysis of Entrepreneurial Personality Traits', in *Journal of World Business* 56, no. 2 (February 2021).

107 OECD, 'What Is the Impact of the COVID-19 Pandemic on Immigrants and Their Children?'; Participant comments during MPI Europe's Integration Futures Working Group online meeting 'The Role of Immigrant Integration in the Economic Recovery', 10 September 2020.

Plan on Integration and Inclusion reasserts the European Commission's intention to promote inclusive entrepreneurship by investing in financial literacy and access to financial services, training, counselling, and mentoring schemes.<sup>108</sup> But there is also a need for more forward-looking measures, for instance to build migrants' skills and acumen to help them enter profitable sectors that may emerge strongly from the COVID-19 crisis.

One policy option to support this potential business renaissance could be to include entrepreneurial skills in all major government-funded integration programmes for migrants. Some policymakers may see the value of refocusing funds for traditional integration programming to offer newcomers business loans, credit, training, and other supports, which could in the immediate term offer more value for migrants with limited education. Such interventions may also be easier to sustain amid budgetary pressures, as they work well in mixed-financing models, combining public and private loans and investment with direct subsidies.<sup>109</sup> Stakeholders could combine efforts to improve entrepreneurial skills with investments in digital and technical skills to give migrants access to more-profitable business opportunities that COVID-19 has created or strengthened. Coding schools for refugees, which have combined software development skills with entrepreneurship laboratories, could offer a blueprint.<sup>110</sup> Even for newcomers who do not plan to start a business, entrepreneurial skills such as risk management, change management, resilience, and strategic thinking are likely to be essential to navigate post-pandemic labour markets. Newcomers could use these skills to build a diversified income portfolio that reduces risk exposure, for example. In line with this, the European Commission acknowledged in its new Skills Agenda (2020–25) that a 'step change' is necessary to promote entrepreneurial and transversal skills for future economic dynamism.<sup>111</sup>

Moreover, policymakers may find promise in creative models that exploit the synergies between entrepreneurship and platform work (which, as mentioned, will also likely grow). When woven into well-designed ALMP packages, platform-based work could function as income insurance, enabling migrants to venture into more-ambitious and profitable entrepreneurial projects while earning an income through gig jobs in the meantime. Looking ahead, governments may even consider involving gig economy platforms in designing these packages as public-private partnerships, which could include elements such as entrepreneurial coaching, digital know-how, and language training. Research from the United States has found that in regions with low average income, high credit constraints, and economic uncertainty, gig jobs can encourage company launches and stabilise entrepreneurial activity.<sup>112</sup> Such models could also offer migrants and other workers stuck in low-quality gig jobs a way up, while potentially improving the public reputation of gig economy companies as well as their credibility as a partner for social and economic

108 European Commission, 'Action Plan on Integration and Inclusion 2021–2027' (COM [2020] 758 final, 24 November 2020).

109 For example, the European Commission has pledged to support investments in migrant entrepreneurs through its InvestEU programme, which leverages EU-backed guarantees to attract other investors into strategic priority areas. See European Commission, 'Action Plan on Integration and Inclusion 2021–2027'. Moreover, over the past five years, the Urban Agenda Partnership on Inclusion of Migrants and Refugees has explored the use of blended finance (combining EU funds with loans) to improve the availability of microfinance for (aspiring) migrant and refugee entrepreneurs in European cities. See European Commission, 'Financial Blending Facilities for Cities, Migrants and Refugees', updated 22 January 2019.

110 Ben Mason, *Tech Jobs for Refugees: Assessing the Potential of Coding Schools for Refugee Integration in Germany* (Brussels: MPI Europe, 2018).

111 European Commission, 'Communication on the European Skills Agenda for Sustainable Competitiveness, Social Fairness and Resilience' (COM [2020] 274 final, 1 July 2020).

112 John M. Barrios, Yael V. Hochberg, and Hanyi Yi, 'Launching with a Parachute: The Gig Economy and Entrepreneurial Entry' (Working Paper No. 2020–21, Becker Friedman Institute, 16 March 2020).

dialogue, at a time when their business models have attracted considerable scrutiny and criticism. However, the road to transforming the gig economy from a precariousness trap to a sustainable tool for income resilience and entrepreneurial risk-taking is long and rocky. Unless comprehensive policy reforms help to significantly raise the quality and safety of gig work, any government attempt to leverage the gig economy as a resource for economic inclusion will remain highly controversial.

## *B. Tap into volunteerism and the social economy*

In the European Union, the social sector<sup>113</sup> proved essential in complementing government-driven responses to the pandemic and filling gaps, thanks to the sector's greater flexibility, lower production costs, and ability to rapidly mobilise donations and other community resources.<sup>114</sup> The social sector achieved this despite being crippled by COVID-19-related restrictions partly thanks to an uptick in community engagement and volunteering. In 2020, the International Red Cross reported a marked surge in its volunteer numbers across different European countries, with almost 50,000 additional volunteers registering in the Netherlands<sup>115</sup> and more than 60,000 in Italy and Spain.<sup>116</sup> In the European Union, the social economy—which is already a significant economic force, generating between 6 per cent and 8 per cent of the Union's GDP<sup>117</sup>—could play a central role in post-crisis recovery. This is due to different factors: the sector's strategic importance, as governments brace for growing social needs amid budgetary uncertainty; its potential to centre fairness and sustainability in post-pandemic economic restructuring; and its relative financial resilience, thanks to mixed funding models and reliance on in-kind resources.<sup>118</sup>

In a context of protracted high unemployment and social needs, governments could leverage community engagement as an alternative form of productive activity for vulnerable jobseekers, including migrants and refugees. According to the OECD, public employment services in some countries, such as the Netherlands, have recently relaxed some constraints to make it easier for jobseekers to volunteer while receiving unemployment benefits (e.g., waiving requirements to receive prior approval from employment services).<sup>119</sup> This idea could build on models tested in recent years to activate newcomers who, due to illiteracy, education gaps, lack of work experience, gender-related disadvantages, or old age, find it difficult to enter receiving-country job markets.<sup>120</sup> Working in environments accustomed to dealing with vulnerability can improve newcomers' psychosocial well-being, self-confidence, and skills. For example, in Ghent, Belgium, the city cooperated with the nonprofit Refu Interim to help hundreds of newly arrived refugees find voluntary work in the cultural, social, and leisure sectors to promote their social and professional

113 In this context, the terms 'social sector' and 'social economy' (used interchangeably) refer broadly to the part of the economy aimed primarily at achieving social impact (rather than maximising financial profits) and comprised of a diverse range of organisations such as nonprofit associations, social enterprises, cooperatives, and foundations.

114 Nora Milotay, 'What Future for the Social Economy?' (European Parliamentary Research Service, PE 659.336, November 2020).

115 United Nations Information Centre Brussels, 'COVID-19 Drives Global Surge in Volunteering', accessed 14 April 2021.

116 Red Cross EU Office, 'Massive Surge in Volunteer Numbers in Response to the COVID-19 Pandemic' (news release, 4 December 2020).

117 Milotay, 'What Future for the Social Economy?'

118 For example, while Italy and Belgium saw a sharp drop in employment in the public and private sectors in the first few years of the Great Recession (from 2008 to 2010), employment in social cooperatives kept growing. See OECD, 'Social Economy and the COVID-19 Crisis: Current and Future Roles' (OECD Policy Responses to Coronavirus, 30 July 2020).

119 OECD, 'Public Employment Services in the Frontline'.

120 Natalia Banulescu-Bogdan, *Beyond Work: Reducing Social Isolation for Refugee Women and Other Marginalized Newcomers* (Washington, DC: MPI, 2019).

self-reliance, get to know the work environment, practice work-specific language, and build job-relevant networks.<sup>121</sup> Such activities could also provide important social capital that, according to experts, will become even more central in enhancing employability in post-crisis labour markets—but one that may become increasingly hard to cultivate if many jobs remain in or shift to a remote setting.

*COVID-19 might make it easier to argue for the benefits of integrating social engagement into the toolbox of employment support.*

Justifying investments in measures centred on volunteering and community engagement has sometimes proven difficult for policymakers because the economic payoffs are hard to measure compared to classic ALMPs.<sup>122</sup> Partly for this reason, the social sector's role in promoting employability remains limited in

many contexts, despite its potential to offer vulnerable groups opportunities for socialisation, networking, and skill-building.<sup>123</sup> But COVID-19 might make it easier to argue for the benefits of integrating social engagement into the toolbox of employment support. In addition, closer cooperation between government and the social sector would have important advantages for both sides: it could provide nonprofits with vital funding and in-kind support at a time of uncertainty, give government an important avenue to place jobseekers, and provide an opportunity to build social-sector partners' capacity as long-term allies in addressing the social fallout of the pandemic.

Recognising the social sector as a potential agent for socioeconomic recovery, many governments in Europe and elsewhere have already taken steps to help the sector weather the COVID-19 crisis, such as through funding and guarantees to support experimentation.<sup>124</sup> They could also take specific measures to maximise the social economy's contribution to inclusive employment. In the short term, governments could provide urgent funding to social-sector organisations in exchange for meaningful placements of vulnerable jobseekers, including migrants and refugees. In the long run, policymakers could (co-)invest more in the model of work-integration social enterprises (WISE). WISE are social enterprises that focus on offering disadvantaged workers and jobseekers an opportunity to engage in work (often producing goods and services for collective benefit). Work activities are frequently combined with training, social support, and job placement efforts to advance social goals such as empowerment and participation.<sup>125</sup> As such, WISE could be used both to create placement opportunities for vulnerable jobseekers and to improve services in underserved communities. Important resources to support the social sector may come from the EU level; for example, the new European Skills Agenda emphasises the potential of social-economy business models to support social inclusion, job creation, and wider EU goals such as the transition of a green economy.<sup>126</sup>

121 Community, Welfare, and Health Department of the City of Ghent, *Anticipating the Exodus: Ghent Refugee Taskforce* (Ghent, Belgium: City of Ghent, 2018).

122 Banulescu-Bogdan, *Beyond Work*.

123 Francesca Calò, Tom Montgomery, and Simone Baglioni, 'Marginal Players? The Third Sector and Employability Services for Migrants, Refugees and Asylum Seekers in the UK', *VOLUNTAS: International Journal of Voluntary and Nonprofit Organisations* (4 January 2021).

124 OECD, 'Social Economy and the COVID-19 Crisis'.

125 Ingo Bode, Adalbert Evers, and Andreas Schulz, 'Facing New Challenges: Work Integration Social Enterprises in Germany' (working paper, ISTR Working paper, Toronto, July 2004); Jacques Defourny and Marthe Nyssens, 'Social Innovation, Social Economy and Social Enterprise: What Can the European Debate Tell Us?', in *International Handbook on Social Innovation: Social Innovation, Collective Action and Transdisciplinary Research*, eds. Frank Moulaert, Diana MacCallum, Abid Mehmood, and Abdel Hamdouch (Cheltenham, UK: Edward Elgar, 2014).

126 European Commission, 'Communication on the European Skills Agenda'.

However, for community engagement to work (and for employers to take it seriously) as a step toward the formal labour market, governments could encourage its wider revaluing within professional careers, for example by designing ALMP packages which link it to high-quality skill building and fair remuneration.

### C. *Reimagine the model of public employment services*

Over the past year, governments' investments in employment policy have focused mainly on cushioning the immediate impact of economic decline on people's jobs and earnings. With economies in transformation and high under- and unemployment, however, governments must shift gears. On the one hand, they need to further pursue investments in digitisation of services, building on pre-pandemic experimentation as well as on the forced progress in response to physical-distancing protocols: from automated matching tools that help jobseekers identify relevant job vacancies and/or training offerings, to profiling tools that can help counsellors predict the labour market prospects of individual jobseekers, thus allowing them to take preventive steps to reduce unemployment risks.<sup>127</sup> Moreover, they need to transition from expensive job retention measures (for jobs that might disappear in post-pandemic economies) to investments in facilitating workers' adaptation and sectoral reallocation to seize the opportunities that future labour markets will offer.

Not all systems of public employment support are equally well equipped to meet these demands: many still work mainly reactively, focusing on bringing unemployed individuals into gainful activity while struggling to help those who are employed cultivate their human capital.<sup>128</sup> However, new EU instruments such as the NextGenerationEU recovery fund, particularly the Recovery and Resilience Facility which lies at its core, should allow Member States to ramp up investments in training and upskilling and to further modernise public employment services.<sup>129</sup> For example, reforming public employment services is an important element of Italy's and France's recovery and resilience plans, which were approved in early July 2021 by the EU Council, following a positive assessment by the European Commission. Both plans pursue the combined priorities of creating more personalised activation paths for the unemployed, while promoting the labour market mobility of workers and protecting them from unemployment through upskilling incentives.<sup>130</sup>

The modernisation of employment support entails risks. As with other public services, digitisation risks leaving behind those with low digital skills and limited access to digital devices, or who face other barriers linked to housing and family commitments—groups that include many migrants and refugees. To prevent

127 Regina Anna Konle-Seidl, 'The Future of Work - Implications for Public Employment Services in the EU' (brief, European Parliament, Policy Department for Economic, Scientific, and Quality of Life Policies, PE 658.205, November 2020); OECD, *OECD Employment Outlook 2021: Navigating the COVID-19 Crisis and Recovery* (Paris: OECD Publishing, 2021). One such example is the AI-based profiling tool developed by VDAB (the public employment services of Flanders, Belgium); by estimating jobseekers' likelihood of becoming long-term unemployed, the tool helps caseworkers categorise and prioritise jobseekers. Sam Desiere and Ludo Struyven, 'Using Artificial Intelligence to Classify Jobseekers: The Accuracy-Equity Trade-Off' (SPSW working paper 2020-01, Centre for Sociological Research, KU Leuven, 2020).

128 Konle-Seidl, 'The Future of Work'.

129 European Commission, 'Recovery and Resilience Facility', accessed 14 April 2021.

130 European Commission, 'Analysis of the Recovery and Resilience Plan of Italy Accompanying the Document Proposal for a Council Implementing Decision on the Approval of the Assessment of the Recovery and Resilience Plan for Italy' (SWD [2021] 165 final, 22 June 2021); European Commission, 'Analysis of the Recovery and Resilience Plan of France Accompanying the Document Proposal for a Council Implementing Decision on the Approval of the Assessment of the Recovery and Resilience Plan for France' (SWD [2021] 173 final, 23 June 2021).

this, countries such as Sweden and Germany are considering how to shape inclusive digitisation. For example, since October 2020, the Swedish public employment service has participated in the EU-funded project Democratic Digitalisation to ensure that vulnerable groups are not left behind in the shift to digital services.<sup>131</sup> The German public employment agency is exploring how to tailor virtual formats, such as digital training and job fairs, to the needs and preferences of migrants and refugees.<sup>132</sup>

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*As with other public services, digitisation risks leaving behind those with low digital skills and limited access to digital devices.*

Moreover, rethinking employment support systems could generate important opportunities to advance integration. For the sake of efficiency, public employment services may consider mainstreaming (that is, incorporating into generic services) promising models piloted in recent years to help new refugee arrivals find work. This is especially interesting as elements of these models—such as improvements in assessing informal skills through technology, fast-track reskilling for professions in demand, or placement opportunities in the social sector—could support jobseekers with or without a migrant background in a volatile labour market.<sup>133</sup> Reforms of public employment services will also likely lead to closer partnerships between government and employers; closer ties will be necessary in order to shift from largely reactive measures (matching the unemployed with vacancies) to more-proactive models (continually cultivating the skills of the whole workforce). This intensified partnership may, in turn, reduce some of the many stumbling blocks that migrant-background jobseekers encounter in the transition from skill-building activities to employment.<sup>134</sup>

As mentioned, a massive spike in demand could strain public service providers' capacity and lead to cuts in specialised support for migrants and refugees. To prevent such gaps, public service providers, including in employment, may need to increasingly partner with other stakeholders that are familiar with the needs of more vulnerable and hard-to-reach clients.<sup>135</sup> One solution could be to modernise employment/integration support by expanding use of public-private partnerships such as social impact bonds (SIBs). SIBs are a form of impact investment used to address a social challenge (for example, tackling refugee unemployment) and are built around public, private, and social sector collaboration. Private investors fund a social service, usually delivered by a community-based organisation (such as language courses or employment programming), and governments only pay back the investor with interest if the agreed outcomes occur. SIBs offer several advantages that could help preserve high-quality integration support in times of crisis. They are well suited to situations in which governments lack short-term spending capacity for early investments that may lead to considerable public savings down the road: in this case, this means avoiding the long-term

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131 European Network of Public Employment Services, *Dematerialisation of Services in EU PES* (Luxembourg: Publications Office of the European Union, 2020).

132 Participant comments during MPI Europe's Integration Futures Working Group online meeting 'The Role of Immigrant Integration in the Economic Recovery', 10 September 2020.

133 Meghan Benton and Liam Patuzzi, *Jobs in 2028: How Will Changing Labour Markets Affect Immigrant Integration in Europe?* (Brussels: MPI Europe, 2018).

134 On the central role of partnerships in strengthening public employment services' capacity to support jobseekers and employers in the wake of the COVID-19 pandemic and to cater to the needs of the most vulnerable groups in the labour market, see European Commission, 'PES Network Stakeholder Conference: The Power of PES Partnerships' (conference synthesis paper, Publications Office of the European Union, Luxembourg, 2021).

135 Konle-Seidl, 'The Future of Work'.

economic and welfare costs of scarring. Moreover, as SIB-funded services are outcome-oriented rather than tied to specific processes, they are often better at adjusting their approaches to new circumstances.<sup>136</sup>

This moment calls for comprehensive, courageous rethinking of integration and employment support. Short-sighted solutions—for instance, rapidly retraining and/or placing jobseekers in available positions without considering how to best prepare them to succeed in emerging sectors and future job opportunities—may temporarily reduce unemployment numbers. But they may only postpone the problem rather than solve it, for example by pushing migrants, refugees, and other groups with still-fragile labour market ties into jobs without stability and prospects. By spreading risks between the public purse, businesses, and the social sector, multistakeholder collaborations such as SIBs could function as a laboratory to test new solutions and generate new knowledge. Moreover, such collaborations could help ensure that deeper restructuring of public employment services considers the needs of vulnerable groups such as refugees (thanks to social-sector involvement) and emerging opportunities in the post-pandemic economy (thanks to business involvement).

## 5 Conclusion

In recent years, policymakers and researchers have increasingly raised questions regarding how immigrants and refugees will fare in future labour markets.<sup>137</sup> In Europe after the heightened arrivals of 2015–16, this was driven in part by governments' will to ensure that large public investments in newcomer integration would bear long-term fruit and lead to sustainable progress. These studies and reflections have generated important insights and encouraged critical rethinking of policies. But it is also fair to say that, as the future of work seemed to be at a manageable distance, at least some stakeholders may have conducted these conversations more from intellectual fascination than political urgency.

As COVID-19 has drastically accelerated the pace of economic transformation, decisionmakers have found themselves confronted with a much more compressed time frame for policy thinking and action. Without careful management, the crisis may turn back the clock on hard-fought progress in newcomer integration, erode talent pools that may take a long time to rebuild, and fuel inequality and social tensions in diverse societies for decades to come. In this

context of urgency, however, integration, employment, and education policymakers must not fall prey to a tradeoff trap—jeopardising long-term strategies for the benefit of short-term stopgaps.

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*As COVID-19 has drastically accelerated the pace of economic transformation, decisionmakers have found themselves confronted with a much more compressed time frame for policy thinking and action.*

<sup>136</sup> Emily Gustafsson-Wright, *What Happens in an Outcome-Based Financing Model When a Major Crisis Hits?* (Washington, DC: Brookings Institution, 2020). On the promise of social impact bonds in the context of COVID-19 and post-crisis recovery, see René Karsenti, 'Social Bonds in Response to the Covid-19 Crisis: When Financial Markets Save Lives' (European Capital Markets Institute, Commentary No. 64, May 2020); Council of Europe Development Bank, 'CEB Issues Social Inclusion Bond in Response to COVID-19 Pandemic', updated 8 April 2020.

<sup>137</sup> See, for example, Benton and Patuzzi, *Jobs in 2028*; OECD, *Making Migration and Integration Policies Future Ready* (Paris: OECD Publishing, 2020).

Based on a short assessment of the likely direction of European economies, this report has outlined several potential paths to leverage the contributions of immigrants and refugees for post-crisis recovery: cultivating entrepreneurship; leveraging the social sector; and building on multistakeholder partnerships to modernise employment support. Naturally, the details of such strategies will depend on the context. For instance, important differences between western and eastern EU Member States in terms of migrant population characteristics and labour market indicators call for differentiated responses. Most important, much uncertainty still surrounds COVID-19's impact on job markets, and the sizeable government subsidies of the past year partially obscure the full extent of the fallout. Integration policymakers will therefore need to work closely with their colleagues in economic, educational, fiscal, and social portfolios. They will also need to build on foresight instruments such as skills anticipation systems, in which the European Union and Member States have invested heavily over the past decade.<sup>138</sup>

Among the few certainties in this blurry landscape is that bold, timely investments are necessary to prevent massive costs down the road. In this sense, recent developments at the EU level are encouraging. The EU Multiannual Financial Framework for 2021–27 and the recovery package NextGenerationEU—with its centrepiece, the Recovery and Resilience Facility—will allow comprehensive spending on many of the aforementioned reforms, such as the modernisation of public employment services and investments to build and update skills.<sup>139</sup> Moreover, the 2020–25 European Skills Agenda and the 2021–27 EU Action Plan on Integration and Inclusion provide strategic frameworks for investing in inclusive skills promotion, employability, and entrepreneurship.<sup>140</sup> Yet, governments will largely bear responsibility for ensuring that all these instruments are put to use to protect the bloc's recent immigrant integration achievements.

A balancing act is required: policymakers must take a big-picture approach to recovery, support workforces, and enable economies' modernisation and sustainability, all while remaining alert to the risks at the margins of job markets. Achieving this balance will also depend on integration policymakers taking the long view and linking their forward-looking agendas with wider strategic conversations about recovery planning.

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*Among the few certainties in this blurry landscape is that bold, timely investments are necessary to prevent massive costs down the road.*

<sup>138</sup> Hogarth, *COVID-19 and the Demand for Labour and Skills in Europe*.

<sup>139</sup> European Commission, 'Communication on the Annual Sustainable Growth Strategy 2021' (COM [2020] 575 final, 17 September 2020).

<sup>140</sup> For example, the EU Skills Agenda includes explicit focus on third-country nationals, reference to innovative public-private partnerships for skills investment, and emphasis on digital and transversal skills. See also European Commission, *European Skills Agenda for Sustainable Competitiveness, Social Fairness and Resilience*.

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## Acknowledgments

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This report was commissioned for a meeting of the Integration Futures Working Group held in September 2020. The theme of the meeting was 'The Role of Immigrant Integration in the Economic Recovery'. The meeting was part of a series of five virtual roundtables that took place between April 2020 and June 2021, and which explored the implications of the COVID-19 pandemic for integration policy.

The author acknowledges and thanks the colleagues, reviewers, and other experts who contributed to this study, especially the participants of the Integration Futures Working Group meeting and other roundtables in this series. In particular, the author thanks the following colleagues at the Migration Policy Institute (MPI) Europe and MPI: Meghan Benton for her valuable comments, feedback, and advice; Lauren Shaw for her excellent editing; and Jamie Slater and Andras Alfoldi for their helpful research assistance. He also thanks Ashleigh Imus for additional editorial support.

The Integration Futures Working Group is an MPI Europe initiative that brings together senior policymakers, experts, civil-society officials, and private-sector leaders to stimulate new thinking on integration policy. It is supported by the Robert Bosch Foundation.

For more information on the Integration Futures Working Group, visit: [www.migrationpolicy.org/programs/integration-futures-working-group](http://www.migrationpolicy.org/programs/integration-futures-working-group).

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Suggested citation: Patuzzi, Liam. 2021. *Taking the Long View: Options for inclusive post-pandemic labour markets*. Brussels: Migration Policy Institute Europe.

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