

> Thursday, March 10<sup>th</sup>, 2022

12:00 - 13:30

IFLAME RESEARCH SEMINAR

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ABSTRACT

## **MONOPSONY AT WORK? THE SHORT- AND LONG-RUN EFFECTS OF LABOR RESTRICTIONS ON REFUGEES' ECONOMIC INTEGRATION BY ANDREAS BEERLI (KOF SWISS ECONOMIC INSTITUTE)**

Co-authored with Achim Ahrens, Dominik Hangartner, Selina Kurer, and Michael Siegenthaler

Do policies that restrict employment opportunities help to explain why refugees typically have lower employment rates and wages than similar native citizens? This paper analyzes the effects of policies regulating whether, where, and for whom refugees are allowed to work. The empirical design exploits the exogenous assignment of refugees to Swiss cantons upon arrival and the rich spatiotemporal variation in cantonal labor market policies. Using newly collected data on cantonal policies 1999–2016 and high-quality linked administrative data, we find negative employment and earnings effects of banning refugees from working in the first months after arrival, of prioritizing residents over refugees, and of restricting labor markets geographically and sectorally. Moving from the least to the most restrictive policy mix reduces the average employment rate of refugees in the first five years after arrival from 23% to 16%. Likely by exogenously reducing workers' outside options, region and sector restrictions also lower refugees' job mobility and hourly wages. Consistent with a monopsonistic explanation, the restrictions partly explain why refugees earn less in similar jobs than observationally equivalent resident workers. We find no evidence that restrictive policies spur emigration. This facilitates the identification of longer-term scars of the policies: we find that priority to residents and a long work ban in the initial year reduce refugees' earnings in the following four to five years.

Together, these results suggest that labor restrictions burden both refugees and host communities with significant costs.



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