



The Importance of Integrating Refugees In The EU's Labor Market And How Businesses Capitalize On This Development, Creating a New Strategic Marketing.

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Abstract

The European Union is facing deep-seated structural challenges that are constraining its long-term economic growth and competitiveness. Chief among these is demographic decline, a result of low birth rates and an ageing population, leading to labor shortages across multiple sectors.

Simultaneously, skills mismatches between available labor and employer needs, alongside slow productivity growth, further hinder economic perspectives. In this context, refugee integration into the workforce is increasingly viewed both as a humanitarian gesture and a potential economic strategy to bolster labor supply, enhance innovation, and address gaps in the labor market. However, this is not the only way in which the influx of refugees affects the EU's economic and business outlook; rather, we argue that businesses are increasingly more prone to employ refugees for an additional reason: that is, a renewed effort to appeal to evolving social standards, thus positioning refugee integration as a showcase of rising CSR and ESG awareness.

Introduction

Over the past decade, the term “permacrisis” has become a kind of “passe partout” of economists and political scientists in describing the influx of crises hitting the EU one after the other: The Global Financial Crisis, the Eurozone Debt Crisis, Crimea, Covid, Russia's invasion of Ukraine, Qatargate, just to name a few. We have, however, reached a point where a question has got to be asked: are we dealing with a new permacrisis reality, where “business as usual” times still exist, at least as a non-crisis baseline to which we might theoretically return, or are events fundamentally reshaped by deeper, long-running shifts? Even before the shocks of COVID-19 and the war in Ukraine, warning signs were already visible. More specifically, in our case, labor productivity, once a pillar of Europe's economic catch-up, has been losing steam. Where annual growth hovered around 2% in the 1990s, most EU economies have struggled to break past 1% since the global financial crisis. Weak investment

in innovation, slowing capital deepening, and growing mismatches between workers' skills and the economy's needs are all part of the story (European Commission, 2024; ECB, 2022). At the same time, Europe's working-age population is shrinking – slowly but steadily. To top it all, large-scale migration flows have further strained the continent's landscape, fomenting political, social, and economic turbulence. The EU is facing an unprecedented exposure to these pressures: it is risking the erosion of its *acquis* - the liberal social, political, and economic structure that has laid down the foundations of prosperity for its citizens, who are able to participate in the labor market and enjoy the fruits of an extensive social benefit network.

Literature review:

The purpose of this section is to review the pre-existing bodies of research pertaining to the integration of refugees into the EU labor market and how businesses capitalise on such developments. By coalescing these studies, the aim is to identify the main findings on the topic and highlight where important gaps remain.

Research consistently shows that refugees face persistent disadvantages in EU labor markets.

Literature commonly states that refugees receive lower wages¹ than other migrant groups, no matter their formal education or experience, while also falling behind steadily in employment percentages².

For example, a study reveals that refugees experience a 'refugee gap' in employment outcomes, which can persist for up to 10 years after their arrival.³ Yet, research also explores the fact that dependant on the European country, this theory is not always fully apparent⁴. This suggests that refugee disadvantages are not universally fixed within the EU; instead, they rely on geographical representation. In countries like Sweden and Germany, integration policies and support enable migrants to be assimilated faster into the workforce.

¹ Refer to Appendix figure 1, Baum, Christopher F., et al. *Estimating the Wage Premia of Refugee Immigrants*, 2024, <https://cris.maastrichtuniversity.nl/ws/portalfiles/portal/182942277/wp2024-004.pdf>

² Refer to Appendix figure 2, Brell, C., et al. "The Labor Market Integration of Refugee Migrants in High-Income Countries", <https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.34.1.94>

³ Brell, C., et al. "The Labor Market Integration of Refugee Migrants in High-Income Countries", <https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.34.1.94>

⁴ Refer to Appendix figure 3, Brell, C., et al. "The Labor Market Integration of Refugee Migrants in High-Income Countries" <https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.34.1.94>

Now that the refugees' status has been explained, their importance to the labor market will be presented. Studies have shown that due to the EU's ageing population⁵ and shrinking native workforce⁶ in many countries, refugees represent a vital source of labor that can help fill in these shortages, sustain productivity, and support economic growth. Refugees often take jobs that locals are not interested in occupying⁶. This is incredibly important for the economy, as it ensures that essential sectors continue to function efficiently.

While there is sufficient writing on the challenges facing refugees and their vital importance to the EU's economy. There is a notable gap in understanding how businesses strategically position themselves to benefit from integrating refugees. Research is predominantly focused on the direct economic outcomes of refugee integration, with limited attention to how businesses capture the benefit from this economic 'catalyst'.

Thus, an opportunity for further research to explore how businesses successfully integrate refugee employment into their marketing framework arises

Developments of the EU labor market

As it has been pointed out, the EU is facing deep-seated structural challenges that are constraining its long-term economic growth and competitiveness as well as its identity as the most successful social and economic project of the 20th and 21st centuries. Chief among these is demographic decline, driven by low birth rates and an ageing population, leading to labor shortages across multiple sectors. Simultaneously, skills mismatches between available labor and employer needs, alongside slow productivity growth, further hinder economic dynamism. In this context, refugee integration into the

⁵Eurostat. "Population Structure and Ageing." *Statistics Explained*, 2025, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Population_structure_and_ageing

⁶ Emma, L. "Refugees will repay EU spending twice over by 2020", <https://www.weforum.org/stories/2016/05/refugees-will-repay-eu-spending-twice-over-in-5-years/>

workforce is increasingly viewed not merely as a humanitarian gesture but also as a potential economic strategy to bolster labor supply, enhance innovation, and address labor-market gaps.

More specifically, the continent's population is ageing rapidly. According to Eurostat, the median age in the EU reached 44.4 years in 2023, up from 40.4 in 2008. Moreover, projections suggest that by 2050, nearly 30% of the EU population will be over 65. This demographic shift is already resulting in shrinking working-age populations, particularly in countries like Germany, Italy, and Eastern European member states.

At the same time, employment vacancies are rising, particularly in sectors such as healthcare, construction, manufacturing, and logistics – areas that are essential to the functioning of the European economy. For instance, the German Federal Employment Agency reported a record 1.7 million job vacancies in 2023, many of which remain unfilled due to a lack of qualified or willing labor. In short, there is a growing supply-demand imbalance in the labor market that threatens productivity and economic output. It's not that there aren't people available. It's that the people looking for jobs and the jobs being offered don't match up—whether in terms of skills, training, or location. Economists call this a shift in the Beveridge curve—a sign that matching between workers and employers is becoming less efficient. Firms are hiring but struggling to find the right candidates. At the same time, millions of Europeans remain unemployed, underemployed, or outside the formal labor market altogether. Thus, a first friction in the market arises from this mismatch.

At the same time, refugees in the EU represent a largely untapped labor force. According to the OECD, over 4.4 million refugees reside in the EU, and many are of working age. However, as of 2022, only 30-40% of refugees were employed within the first five years of arrival, pointing to significant underutilization. This signifies a problem:

From a labor economics perspective, integrating refugees into the workforce would yield multiple benefits:

- Expansion of labor supply: Refugees help fill demographic gaps, especially in aging economies.
- Addressing sectoral labor shortages: Many refugees are willing to work in low- or mid-skilled jobs that EU nationals increasingly avoid.

- Long-term fiscal benefits: Though initial integration costs (e.g., language training, housing) are high, studies by the IMF and World Bank suggest that successful labor integration can lead to net fiscal contributions within 5-10 years.
- Boost to aggregate demand: Employed refugees contribute to consumption, savings, and tax revenues, thus supporting broader macroeconomic activity.
- Crucially, a working refugee population increases the dependency ratio's sustainability, helping mitigate the economic burden of a growing retired population. (Dependency ratios are defined as the number of retirees relative to working-age individuals. In 2022, there were roughly 37 people aged 65+ for every 100 working-age adults in the EU. By 2070, this is expected to exceed 60 (European Commission, 2021). Countries like Portugal, Greece, and Germany will face even sharper ratios, adding pressure to already strained fiscal systems.)

Also, contrary to some misconceptions, many refugees bring valuable skills and entrepreneurial potential. For example, data from the European Commission suggests that a significant portion of Syrian refugees in Germany possess secondary or tertiary education. When adequately supported through recognition of foreign qualifications, vocational training, and language programs, refugee workers can move beyond low-skilled roles into sectors facing high-skill shortages, including ICT, engineering, and healthcare.

Moreover, there is growing evidence that migrant and refugee integration boosts innovation and entrepreneurship. A study by the Centre for European Economic Research (ZEW) in 2022 found that regions with higher migrant integration exhibit higher rates of patent applications, SME formation, and enhanced regional economic capabilities. Thus, integrating refugees isn't merely a stopgap labor measure, but a long-term investment in human capital and innovation capacity.

Even more importantly, failing to integrate refugees effectively carries substantial economic costs. Refugees who remain unemployed or underemployed may become reliant on welfare systems, leading to fiscal pressures and social tensions. Moreover, labor market exclusion risks creating parallel societies, leading to lost productivity and potential social unrest. The opportunity cost of underutilizing a sizable working-age population is high, especially in the context of Europe's declining labor pool.

It's important to note that refugee integration alone will not resolve all of Europe's labor market challenges. Structural reforms such as modernizing vocational education, increasing labor mobility within the EU, and aligning migration with economic needs remain crucial. A system where jobs are plentiful, but connections between people and those jobs are often broken. Closing that gap—by upskilling people already here, reconnecting those on the sidelines, and better aligning education with market needs—is no longer just a social good. It's an economic necessity. Attention should also be given to the following issue: there's little evidence that migration has hurt native workers. Most studies—including those by the IMF and ECB—find that migration has had neutral or even slightly positive effects on wages, particularly when migrants take on roles that complement rather than compete with domestic labor (IMF, 2022; ECB, 2022).

The problem, in other words, isn't migration—it's how poorly we match people's skills with the jobs that need filling. And as Europe's demographic pressures grow, every year we fail to fix this becomes more costly—not just economically, but also socially and politically.

In sum, integrating refugees into the labor market is not simply a moral or political choice; it is an economic imperative for a continent grappling with aging, labor shortages, and productivity stagnation. When properly managed, refugee integration brings benefits that align directly with the EU's economic needs, expanding the labor force, stimulating innovation, and supporting long-term growth. This creates fertile ground for businesses to engage meaningfully in integration efforts not only to meet labor needs but also to position themselves as forward-looking actors within the new ESG landscape.

Businesses response

Although refugee integration into the labor market was initially and theoretically framed primarily as a humanitarian obligation or economic necessity, many businesses now recognize it as a strategic opportunity. Rather than treating refugee employment and training as a temporary response to workforce needs, companies are increasingly embedding these initiatives within broader Environmental,

Social, and Governance (ESG) and Corporate Social Responsibility (CSR) frameworks. This shift reflects a growing awareness of the evolving social and economic landscape within the EU.

The EU has introduced regulatory measures encouraging greater social responsibility, particularly in diversity and inclusion. The Corporate Sustainability Reporting Directive (CSRD), adopted in 2023, requires large companies to disclose how their activities affect people and society, including labor practices and equality commitments. Hiring and supporting refugees can help firms meet these reporting standards. Additionally, the EU Action Plan on Integration and Inclusion (2021-2027) actively encourages private-sector participation in facilitating refugee access to employment, training, and education. These policies demonstrate that refugee integration is increasingly viewed as a shared responsibility between governments and businesses.

Beyond regulatory compliance, integrating refugees strengthens brand identity and public image. Consumers increasingly expect companies to act on social values rather than merely communicate with them. Supporting refugee employment demonstrates a tangible commitment to inclusion and equality, enhancing brand credibility and customer trust. This alignment with social expectations can create strategic differentiation in highly competitive markets. Many companies now highlight refugee-focused initiatives in their ESG or CSR reports to reinforce trust among consumers and investors.

Several EU-based companies have developed structured refugee hiring programs. IKEA's 'Skills for Employment' initiative, implemented in countries such as Germany, Switzerland, and Spain, provides refugees with job training, mentorship, and paid work experience. Through partnerships with NGOs and local governments, the program helps bridge gaps between refugees and the labor market while aligning with IKEA's broader sustainability goals.

Similarly, Ben & Jerry's, in collaboration with the TENT Partnership for Refugees, created the 'Ice Academy' program. This initiative offers part-time employment and entrepreneurial training to refugees across several EU countries. Participants gain income, mentorship, and practical skills, enabling long-term labor market integration or business creation. Refugee inclusion is prominently featured within the company's brand messaging and social mission.

Additionally, EY provides training, mentoring, and professional opportunities to refugees. As a global consulting firm advising major corporations, EY's involvement illustrates that refugee integration extends beyond consumer brands and is becoming embedded within broader corporate strategy and advisory practices.

Conclusion

Summing up, we have argued that refugee integration in the EU is no longer solely a humanitarian response or short-term solution to labor shortages. It is increasingly a strategic business and branding decision. As EU regulations evolve and public expectations rise, socially responsible practices such as refugee hiring contribute both to compliance and competitiveness. Companies that incorporate refugee integration into their ESG strategies enhance reputation, strengthen stakeholder trust, and align economic performance with social impact. This development reflects a broader transformation in business models, where competitiveness is shaped not only by financial outcomes but also by purpose-driven action. We're at a turning point. What today is often framed narrowly as a "refugee issue" might one day be seen as a missed economic opportunity—or, more hopefully, as a rare moment where social inclusion and economic necessity are truly aligned.

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Appendix:

Figure 1:

Table 2: Descriptive statistics by population group, sample period 2011-2015

	Matched natives	European refugee	non-European refugee	pre-1990 refugee	Total
annual wage earnings	1.19 (0.56)	0.95 (0.34)	0.95 (0.42)	1.01 (0.44)	1.09 (0.50)
female	0.44 (0.50)	0.50 (0.50)	0.40 (0.49)	0.41 (0.49)	0.44 (0.50)
age	47.3 (7.37)	46.4 (7.55)	46.6 (7.04)	48.1 (7.15)	47.1 (7.36)
experience	18.4 (3.58)	13.7 (3.56)	12.7 (4.10)	14.9 (4.43)	16.3 (4.44)
non-routine cognitive	0.47 (0.50)	0.21 (0.41)	0.25 (0.43)	0.31 (0.46)	0.37 (0.48)
routine cognitive	0.17 (0.37)	0.10 (0.30)	0.10 (0.31)	0.12 (0.32)	0.14 (0.35)
non-routine manual	0.32 (0.47)	0.53 (0.50)	0.58 (0.49)	0.49 (0.50)	0.42 (0.49)
secondary school	0.49 (0.50)	0.56 (0.50)	0.42 (0.49)	0.47 (0.50)	0.49 (0.50)
tertiary school	0.13 (0.33)	0.11 (0.32)	0.14 (0.34)	0.13 (0.33)	0.13 (0.33)
professional educ	0.11 (0.31)	0.11 (0.32)	0.14 (0.35)	0.13 (0.33)	0.12 (0.32)
university degree	0.086 (0.28)	0.078 (0.27)	0.12 (0.32)	0.11 (0.31)	0.092 (0.29)
doctoral degree	0.0094 (0.096)	0.0059 (0.077)	0.012 (0.11)	0.014 (0.12)	0.0095 (0.097)

Figure 2:

Employment Rates of Immigrant Groups over Time since Migration

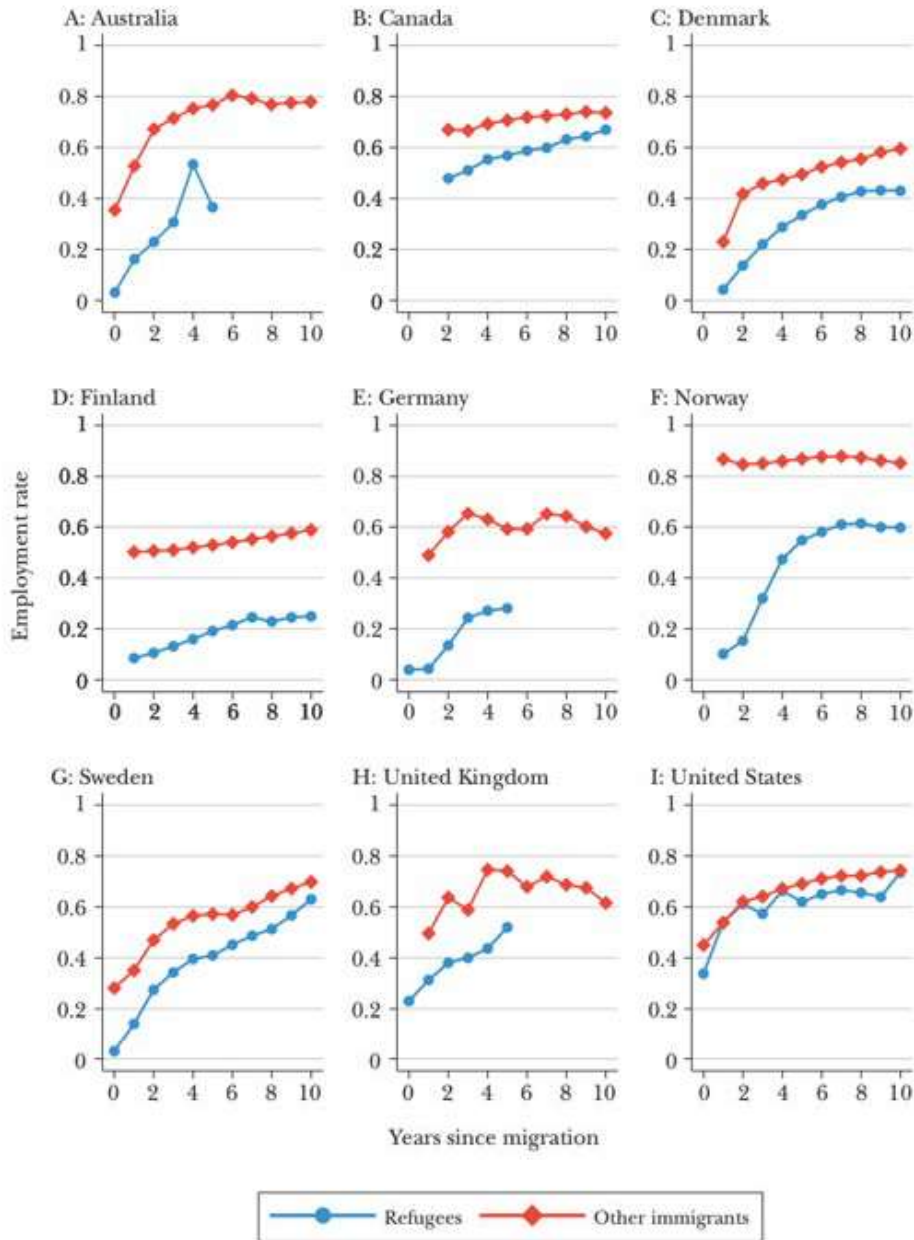


Figure 3:**Employment Outcomes of Refugees Compared to Other Groups**

<i>Host country</i>	<i>Years since migration</i>	<i>Refugee employment rate</i>	<i>Gap to other immigrant employment rate</i>	<i>Gap to native employment rate</i>
Australia	2	0.23	0.44	0.55
Canada	2	0.48	0.19	0.27
Finland	2	0.11	0.40	0.64
Germany	2	0.14	0.45	0.57
Norway	2	0.15	0.69	0.73
Sweden	2	0.28	0.20	0.54
United Kingdom	2	0.38	0.26	0.38
United States	2	0.61	0.01	0.11
Canada	10	0.67	0.07	0.08
Finland	10	0.25	0.34	0.50
Norway	10	0.60	0.26	0.29
Sweden	10	0.63	0.07	0.19
United States	10	0.73	0.01	-0.01