

*Extended abstract submitted for PAA 2019*

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## **Does Municipality Size Matter for the Successful Integration of Refugees? Evidence from Norway**

*Short abstract:*

Small places can have many advantages when it comes to integration of refugees: In a more close-knit community, people may take more care of newcomers, it may be easier to get to know the society, and the barriers to participating in natives' activities may be lower. On the other hand, small places are not necessarily welcoming to foreigners, and cities may have larger ethnic enclaves as well as better access to employment and education opportunities that may facilitate the integration of refugees who settle in them.

Using a settlement policy where a central agency assigned refugees to municipalities across Norway rather than refugees choosing freely, this study aims at estimating the causal effect of being placed in different types of municipalities. Rich register data allows us to study several outcomes, including employment, earnings, education and onward migration. We also explore moderator effects in different subgroups of refugees.

*Extended abstract:*

Integration of refugees into the host society remains high on the political agenda in many Western countries as well as in the international community (United Nations General Assembly, 2016). Host country authorities have several policy tools at their disposal that may serve the purpose of facilitating the integration of refugees. This study examines one such tool: The Norwegian refugee settlement policy, where a central agency assigns new refugees to live in one of the ap. 420 municipalities in Norway after their arrival. This scheme was adopted in the 1990s, not only to prevent the concentration of refugees in disadvantaged, metropolitan areas, but also as a strategy to accelerate the successful integration of refugees into Norwegian society (Valenta & Bunar, 2010).

We use the random components of this scheme to assess whether the integration of refugees is impacted by the size and urbanity of the municipality they are assigned to. Both theory and existing empirical research is inconclusive on this point, and there are mechanisms that could work in both directions.

## Possible mechanisms

When refugees move to a new country they are bound to experience glaring differences between their country of origin and the receiving country. When zooming in closer, however, no country is homogenous, and various regions *within* the receiving country also differ in terms of financial, geographical, social, demographical and cultural characteristics – characteristics that might all shape the opportunity structures of newly arrived refugees who seek to (re)integrate into their new community. So what communities provide the best opportunities for integration, and do regional or local differences really matter overall and in the long run? Many factors may be relevant for successful integration, but one of the most basic distinctions can be made between larger and/or more centrally located urban places (i.e. cities) and smaller and more decentralized rural places (including villages and smaller places on the countryside). Whether smaller, rural places provide better or worse opportunities for integration than larger urban municipalities, is anything but straightforward and it may also depend on the outcome of interest.

On a very fundamental level small places are often easier and more straightforward to navigate, and the practicalities of managing a new life in new surroundings may hence be less challenging. Smaller, more close-knit societies can also make it easier to get to know new neighbours. Many rural settings have hospitable traditions such as inviting newcomers home, and it is more likely that once you have met people in one setting, you may encounter them again in other contexts. In other words, newly arrived people don't "disappear in the crowd" as they may in a city. Contact with natives can, in turn, provide valuable language training and information about job vacancies, education opportunities etc. Since there usually are fewer and smaller ethnic enclaves outside the cities, immigrants in small places may have more incentives to interact with natives, simply because there are fewer peers around. This may, in turn, increase their acquisition of host-country specific human capital, such as cultural norms and language – which is closely related to integration (Bleakley & Chin, 2010).

Employers in smaller places may also have a stronger sense of local commitment, which may induce them to take extra responsibility for providing refugees opportunities in their business. The labour market in small places might also be more favourable for refugees, for instance if it is more based on manual and low-skilled workers.<sup>1</sup>

Finally, small places with high out-migration may appreciate in-migration of immigrants or refugees more than what is the case in places with high population pressure. For some small places, immigrants may be the ones that turn a population decline into a population increase, and thus contribute to keeping services like schools and post offices open. Also, reception of refugees can create jobs and income among natives, in language training, housing etc.

It is, however, clear that larger places have other advantages than smaller ones. Their labour markets are larger, which could make it easier for refugees with various qualifications to find relevant jobs. The cities also have many low-skilled jobs, e.g. in transport, construction and the service industries. Furthermore, ethnic enclaves tend to concentrate in the cities, and while often seen as negative given their potential to increase segregation, ethnic enclaves may have positive effects for integration as well, working through several channels (Edin, Fredriksson, & Åslund, 2003; Damm, 2009; Beaman, 2012). For instance, groups of ethnic peers may disseminate useful information in a language that refugees are more familiar with, and they

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<sup>1</sup> The general unemployment and employment rates differ little between Norway's smallest and largest municipalities. Also data on employment rates of immigrants in Norway's municipalities (Statistics Norway, 2018) suggest that there are, on average, no big differences between municipalities by degrees of centrality (the employment rates for non-western immigrants are marginally higher in the least central and most central municipalities, and marginally lower for the middle categories).

may have knowledge of job vacancies in ethnic businesses or ethnic niches; jobs that might be easier to obtain partly because of lower wages and less need for speaking the natives' language. However, those jobs may require fewer skills and may deter refugees from learning important idiosyncrasies of the destination labour market. Hence, the effect of ethnic enclaves may be both positive and negative on refugees' integration. This may depend on the 'quality' of the ethnic enclave, which again is connected to the other enclave members' degree of integration.

It is also important to stress that access to higher education is usually easier in the cities than in the countryside. This may be particularly important for refugees in young adult ages. Furthermore, large places usually have a more developed public system in place for facilitating the integration of refugees, simply due to a longer history of receiving refugees and because the number of refugees arriving in large places is higher. In small places, refugees with quite different needs are more often pooled into the same facilities (Djuve, Kavli, Sterri, & Bråten, 2017).

It is also the case that people living in urban areas tend to have more positive attitudes toward immigration than rural residents. This is shown in the US where rural Americans are more likely to support restrictive immigration policies than individuals in urban and suburban communities (Fennelly & Federico, 2008), in Denmark where refugee allocation to the most urban municipalities had – if anything – a negative effect on the vote shares for anti-immigration parties in those municipalities (Dustmann, Vasiljeva, & Damm, 2016), and in Norway, where the attitudes regarding immigrants and immigration are generally most positive in places with populations above 100,000 (Blom, 2017). More positive attitudes to immigrants may make it easier for refugees to establish native friendships, to get employed, to reduce potential stress from xenophobia, and thus enhance refugees' integration.

Among refugees, the internal migration from rural to urban places – after initial settlement – is often pronounced (see Åslund (2005) for Sweden, Zavodny (1999) for the U.S. and Stambøl (2013, 2016) for Norway). This may be driven by better employment opportunities in larger places, desires to live closer to ethnic peers, and/or it may indicate that life and integration in the countryside has not been entirely successful.

## **Empirical studies**

Most studies on the effects of refugee settlement policies on different outcomes concentrate on one country. However, Fasani, Frattini, & Minale (2018) have studied how settlement policies in several European countries affects refugees' labour performance. They find that refugees who arrived when a settlement policy was in place had worse outcomes than other refugees, and they explain this finding by the absence of ethnic networks as well as settlement in disadvantaged areas and a lack of geographic mobility. However, their results show that as refugees start relocating within the host country, the initial detrimental effect of having been dispersed fades out.

All the Scandinavian countries have used systems for refugee settlements within the last decades, with somewhat different designs (Djuve & Kavli, 2007). In Sweden, Edin, Fredriksson, & Åslund (2004) have evaluated the political reform that introduced the settlement policy in the mid-1980s, and they conclude that immigrants affected by the new policy experienced substantial long run losses in their labour market integration. However, the bulk of this effect seems to stem from another policy change (a switch from labour market assimilation to income support) which was also part of the reform. Many researchers have

used the Swedish refugee settlement policy to study causal effects on a number of outcomes, and find that local labour market conditions have a significant effect on refugees' employment and earnings (Åslund, Östh, & Zenou, 2010; Åslund & Rooth, 2007; Bevelander & Lundh, 2007).

A number of studies have also investigated the effect of ethnic enclaves – which is often correlated with the size of the municipality – and the general finding from Sweden is that ethnic peers influence newly arrived refugees when it comes to earnings (Edin et al., 2003), school achievement (Åslund, Edin, Fredriksson, & Grönqvist, 2011), youth crime (Grönqvist, Niknami, & Robling, 2015), welfare dependency (Åslund & Fredriksson, 2009) and self-employment (Andersson, 2018). They also find that the composition or quality of the enclave can be decisive for the direction and size of the impact (Andersson, 2018; Åslund & Fredriksson, 2009; Edin et al., 2003). In Denmark, Damm (2009, 2014) found that both the size and the quality of the enclave matters: Refugees in ethnic enclaves earned more than non-enclave members, and an increase in the enclave size raised the refugees' earnings. Also, a higher employment rate of co-national men in the neighbourhood increased refugee men's real earnings. In a rare causal-design paper on the Norwegian settlement policy, Godøy (2017) found that being placed in a labour market where other non-OECD immigrants do well increases own labour earnings up to 6 years after immigration. In the U.S., Beaman (2012) found that increased social networks where the network members had recently arrived, lead to a deterioration of a political refugee's labour market outcomes. However, more tenured network members improved the probability of employment and higher wages. Based on this literature we would expect to see that refugees who are placed in large municipalities fare relatively better if there are many well integrated ethnic peers there. However, municipality size and the number of ethnic peers are not perfectly correlated, and after decades of settlement policy, many small places may now have relatively large ethnic enclaves. Hence, the effects of ethnic enclaves and municipality size should be separated to precisely estimate the effect of being placed in a large or small municipality.

It should be noted that while the Norwegian refugee settlement policy has received remarkably little attention from researchers working on causal identification, many descriptive studies have been conducted on refugees in Norway. Contrary to much of the research above from other Nordic countries, studies by Blom & Enes (2015) and Lillegård & Seierstad (2013) indicate that refugees who are placed in less central municipalities fare better (measured by whether they are employed or in education) than those who were placed in more central municipalities, when the strong and significant effect of local unemployment is controlled for.

Our study aims at using a causal design and the rich Norwegian register data to clarify how municipalities' population size, urbanity and degree of centrality (measured by different centrality indexes) affects refugees' integration outcome. A municipality's degree of centrality, urbanity and population size are somewhat correlated, but not the same – and we will explore which of these measures best explain variations in refugees' outcomes.

### **The Norwegian system for refugee settlement**

In the Norwegian system for refugee settlement, the level of coercion is generally higher than in Sweden, with more limited possibilities for refugees to choose their own municipality (Valenta & Bunar, 2010). A central agency assigns each refugee to a municipality, according to an agreement between the government and each municipality on how many refugees the municipality accepts. There is no communication between the refugee and the caseworker

before the assignment, and if refugees decline the proposed location and settle somewhere else, they may lose state sponsored assistance for housing, language training and economic support provided through an introduction programme for refugees. This provides a strong incentive to settle according to the policy. Thus, we believe that the Norwegian settlement policy is well suited to identify causal effects between municipality characteristics and integration outcomes for refugees settled there, perhaps even to a larger degree than in Sweden, where researchers lately have discussed whether it is actually possible to draw causal conclusions from that policy (Dahlberg, Edmark, & Berg, 2017; Nekby & Pettersson-Lidbom, 2017).

## **Data and methods**

Since 1990, more than 160 000 refugees have immigrated to Norway. This includes asylum seekers who have been granted permission to stay, as well as so called ‘quota’ refugees who come directly from UN refugee camps.

Norwegian register data allows us to explore many different individual outcomes and many municipality characteristics, including geographical and demographic characteristics (e.g. area, centrality, municipality economy, population size, age composition etc.), socioeconomic characteristics (e.g. level of education, income level, employment, business structure, etc.), degree of social problems (e.g. unemployment, poverty, crime) and integration-related characteristics (e.g. immigrant density and ethnic peers). For each refugee, we use register data on age and sex, refugee type (asylum seeker or ‘quota’ refugee), employment and earnings, education, onward migration, marriages/divorce, fertility, criminal records etc.

To confirm that the Norwegian settlement policy is suitable for drawing causal conclusions, we will also investigate more thoroughly how the settlement has been carried out since the 1990s. The aim is to identify whether there might be certain periods or groups of immigrants that were less randomly assigned to municipalities than others and properly correct or exploit differences in the application of the policy over time.

## **Expected findings and policy implications**

The results of this study will shed light on how settlement in either small/rural or large and more urban municipalities affects integration outcomes among refugees. These findings can be used to guide future settlement policies and thus have implications for how refugees are dispersed to municipalities in the future. Specifically, the study will also make it possible to draw conclusions on whether different groups of refugees respond differently to the conditions in the municipalities, and this knowledge can be used to develop new, more individualized and targeted integration policies in the future. For instance, families with children may benefit from different surroundings than single adults. There may also be differences between men and women; what conditions make it easier for men to participate in working life, may be completely different for women because of local structures and sectors.

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