Irregular Migration, Refugees and Informal Labour Markets in the EU: The rise of European Sweatshops?
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Varun Aggarwal
Federica La China
Lucia Vaculova
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This report seeks to clarify the various perspectives at play in the construction of the informal migration industry — the relationship between irregular migration and the informal economy — and then to build up a picture of the various social processes involved, before finally suggesting prospective areas of policy intervention in this arena. The condition of Afghan asylum seekers in the EU is presented as an illustration. The main takeaway from the report is that ineffective integration of the new arrivals risks the creation of European sweatshops.

Europe today faces a crisis of refugee policy not a crisis of refugees. Economic migrants without documents have utilised the entrenchment of the smuggling infrastructure — funded by the flow of Syrian refugees desperately seeking refuge within the EU — to catalyse their numbers. These numbers have exposed the institutional deficiencies of the EU, which in turn has raised alarms amongst the European media outlets and the public. The world’s gaze is firmly set on the EU and the actions of its institutions.

When discussing migration of labour, mainstream perceptions and reality diverge considerably. Firstly, it is important to depart from the ‘illegal migrant versus legal migrant’ rhetoric; although many terms are used to describe migrants without papers, the International Organisation for Migrants (IOM) recommends irregular migrants: "From the perspective of destination countries it is entry, stay or work in a country without the necessary authorisation or documents required under immigration regulations."

What Europe is facing today is a phenomena of mixed migration where both genuine asylum seekers— predominantly from Syria, Eritrea, Iraq and Afghanistan — and economic migrants without documents are arriving together in unprecedented numbers. However, in practical terms it is extremely challenging to distinguish economic migrants from the asylum seekers; for asylum seekers, the wait for getting their application processed can take years — thus some choose to not apply for asylum and become undocumented (irregular) migrants. Furthermore those whose claim is rejected also become irregular from a legal perspective. To further complicate matters many economic migrants without documents apply for asylum in order to stay a bit longer and claim the benefits made available for asylum seekers. Thus for officials working at reception centres differentiating those arriving for humanitarian reasons from those coming for purely economic reasons is a herculean task. These conflations are crucial to fathom for effective policy formulation and implementation.

Nonetheless, whether irregular migrants or asylum seekers, the current state of integration policies means that the informal labour sector is where most will end up eventually. Informal work covers all employment relations beyond the formal wage-labour market such as clandestine or illicit work, but also includes myriad forms of self-employment. Estimates of the proportion of informal workers in the industrialised economies vary between 2 and 15 per cent, but for ‘global South’ figures vary from 30 to 80 per cent of the working population. Thus given the state of integration policies for migrant labour and the extent of informality in the countries of origin such as Iraq, Afghanistan and Syria, it can be assumed that the current influx will increase the proportion of informal workers within the EU in the coming years, unless the EU and its Member States make a cohesive effort to address the issue.

In practice, the informal labour market is a hybrid of formal and informal systems that functions with the implicit permission of governments, private enterprises and civil society groups (lobbies and unions). Legitimate and highly integrated economic activities in sophisticated economies such as Western Europe profit from the global flows of migrants i.e. there is a migration industry at works and is facilitating the flow of migrant labour — irregular and regular. The push factors vary in their specificities for each group of migrants, but the pull factor is common: demand for low cost labour.

The presence of asylum seekers also complicates the situation because unlike economic migrants, asylum seekers — given the uncertainty and tediousness of their asylum process — do not plan their stay in their host countries. Many have to wait for years before they get their asylum decision. Thus for the coming few years Europeans will be hosting a large population of traumatised residents. For rejected asylum seekers the two plausible outcomes are being returned to their countries of origin/transit, or integration in the local formal economy. Otherwise the EU can expect a massive expansion of its informal economy, the negative externalities of which are many: unstable employment, illicit activities, exploitation, poor work conditions, worker safety, general violation of human rights and potential pressures on public finances i.e. sweatshops like environment. The fact that such human right violations and risks are serving the economies of societies which pride themselves on their progressive liberal values is a paradoxical state of affairs, and requires urgent, innovative and proactive action from all stakeholders.

This paper expresses the views of the author and not the views of the European Institute for Asian Studies.
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In light of increasingly selective immigration regulations since the 1970s and ever more restrictions with regard to asylum, there has been a strong increase in irregular migration across Europe. Naturally there are no reliable figures on this phenomenon. Estimates of the number of migrants who are not in possession of regulated residence and/or work permits are mostly based on the number of persons seized. Estimates vary from 2.8 and 6 million persons in the EU who do not have regular residence status. These numbers are expected to increase rapidly given the influx of refugees in the past year and a half. Many of the asylum seekers are not expected to have their application accepted thus adding to the irregular population.\textsuperscript{2}

\textbf{Nationality of persons found to be illegally present in the EU (2014)}

There are eight principal ways in which non-nationals become irregular migrants:

- Illegal entry (illegal border crossing)
- Entry using false documents
- Entry using legal documents, but providing false information in those documents
- Overstaying a visa-free travel period or temporary residence permit
- Loss of status because of non-renewal of permit for failing to meet residence requirements or breaching conditions of residence
- Being born into irregularity
- Absconding during the asylum procedure or failing to leave a host state after a negative decision
- A state’s failure to enforce a return decision for legal or practical reasons (toleration).

In terms of profile, most irregular migrants are adult men. Women and children only account for about 11 and 15 percent, respectively, of irregular immigrants in the EU. Recent trends among asylum seekers, however, suggest the shares of women and children may be rising. For example, children made up 43 percent of asylum seekers in Sweden in 2015, and one-half of them were unaccompanied minors.

Irregular immigrants typically have relatively low education levels. There are two reasons for this: First, they tend to be from countries with low average levels of education; second, they tend to be limited to less-skilled jobs in the informal sector. Relatively well-educated people are generally unwilling to move for such jobs.

Several determinants of irregular immigration are unique to the EU. One is the region’s geographic proximity to areas that have experienced economic and political turmoil in recent years. The Arab Spring kicked off an increase in immigration, particularly by asylum seekers, from the Middle East. Syria has been the major source of migrants from that region. Inflows from Africa have long occurred, but chaotic conditions in Libya appear to have led to a surge in the number of Middle Eastern and African migrants passing through there and on into Europe.

Paradoxically, improving economic conditions in parts of sub-Saharan Africa may also be contributing to irregular immigration to Europe. The relationship between emigration and average national income tends to be inverse U-shaped, first rising as higher incomes enable people to bear the costs of migrating and then falling as economic prospects at home continue to improve. Rising expectations in the face of limited opportunities at home also motivate some young people to leave. Industrial restructuring and social change often accompany economic growth and can contribute to rising emigration rates as well.

Networks play an important role in legal and irregular migration. Family and friends who have already migrated ease the way for others to follow—networks help new migrants find jobs and housing, and they send remittances that help cover migration costs.

Historical ties between countries play a role as well. Colonial relationships from decades ago influence migration patterns, in part because of cultural and linguistic familiarity. As a result, Malians are particularly likely to migrate to France, Ecuadorians to Spain, Indians to Britain, and so on. In some case cases, residents of former colonies can easily receive a tourist visa from the former colonial power or, in some cases, even be admitted without a visa; they then become irregular migrants if they overstay the visa or enter the labour market without permission.

In the case of irregular migration both limited-term stays and circular patterns of migration are found as well as people settling for an indeterminate period. Stricter border controls tend to lead to an extended period of stay because re-entering the country or moving to and from Europe.

2 Migrant Access to the Informal Labour Market

Informal labour markets exist in every country, they are the parts of the economy hidden from state supervision. The Industrial Revolution and the advent of the empirical age was when states started to observe and discipline all actors under their jurisdiction. Prior to that, almost all economic activities were informal. The struggles of economic historians in gathering reliable

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economic data pre dating the industrial revolution illustrates this claim. Estimates\(^5\) suggest that the relative size of informal sector is almost 20 percent in developed countries, this number is even larger in developing countries. Studies done on the topic reveal a strong negative correlation between institutional quality and the size of the informal sector, an intuitive conclusion given that formality is to large extent a function of a state’s institutional capacity to observe and govern all sectors of the economy.

Given that most of the irregular migration stems from developing countries, and most irregular migrants tend to be low skilled and come from relatively poor income households, it can be assumed that many irregular migrants come to the EU having worked in the informal sector. Moreover, irregular immigrants tend to be concentrated in southern European countries within the EU. Geography is one reason — Greece, Italy, and Spain are closer to most sending countries. In addition, southern European countries have more opportunities for irregular workers because they tend to have larger informal economies than their northern counterparts.

Formal-sector labour markets are highly regulated in most EU member states, with collective bargaining agreements, governing compensation and rules that make it difficult to fire permanent workers. However, given the relatively lax enforcement in southern European countries, there is strong demand for off ‘the-books-informal-sector’ workers. Irregular migrants fill much of that demand.\(^6\) In the context of northern EU countries, ageing populations and low birth rates have resulted in slow labour force growth domestically, thus some employers turn to foreign workers to fill jobs. With limited legal channels to migrate or to work, foreigners may resort to migrating or working irregularly.

When companies face trends such as globalisation, the natural response for attaining their survival is by avoiding old regulatory frameworks, which are deemed to be too confining. Managers increasingly avoid regular employment contracts for permanent, full-time jobs and seek new types of temporary employment forms.\(^7\)

Furthermore, big companies often resort to outsourcing their labour. Those businesses that are not able to outsource operations use subcontracting to avoid regulations, which has a direct impact on employment conditions of workers. For instance in the construction sector the use of unofficial labour is closely linked to practices of subcontracting. In a study of European firms in 1995, 40 per cent of them confirmed increased outsourcing of labour. This trend was most visible in Spain, the UK, Germany and the Netherlands.\(^8\) Main contractors (MC) gradually employ only engineers and specialists, who are responsible for providing quality expertise. Blue-collar workers, the majority of workforce, are hired by the hierarchy of subcontractors (SC). In practice, after MC wins a bid to construct a building, they outsource their labour to individual specialised firms, who provide different segments of the production. SC then further divide their labour between sub-subcontractors, who provide more specific services. In the UK, a study reported as many as five levels in a subcontracting chain, with the MC not having control and oversight over workers below the second tier.\(^9\) Intense competition makes small SC more inclined to evade laws. With the use of informal labour at the lowest parts of the chain, firms at the top of the hierarchy are devoid of the responsibility for the employment and conditions of workers at the bottom of the pyramid.

\(^5\) Caveat: there are few reliable estimates of the informal economic sector, but statistical methods have evolved to start capturing some of the informal economic activity being conducted.


The unregulated economy can be divided with regards to its relationship with its formal counterpart into 3 categories:

- completely separate entity that does not have ties to regular spheres (selling of pirated goods),
- an area separated from regular economy (tradition of informal domestic work in Spain)
- or being part of wider regulated business.

In most cases, informal economy is not separated from the official one. On the contrary, sectors that are the biggest beneficiaries of informal undocumented labour are mostly functioning within the regulated official sphere, only with lowest branches of hierarchy extending into grey area.

Proportion of informal market is also unevenly distributed within industries. Sectors with substantial representation in the casual economic environment throughout Europe are:

- construction,
- hospitality (hotels and restaurants),
- retail,
- private cleaning and security industry,
- agriculture,
- transportation,
- and domestic work.

Furthermore, approach targeting legal migration schemes for low-skilled migrants creates labour shortages and consequent increased demand for informal labour. In general, undocumented work is low-skilled and intensive, characterised by “high-turnover of workers and relatively low risk of detection”.\(^{10}\) When employers cannot meet their demand for workers for positions that are deemed undesirable by domestic population via legal procedures, they have to resort to employing undocumented foreigners willing to endure harsh working conditions and lower pay.\(^{11}\)

### 3 Policy: Descriptions and Prescriptions

"In an environment where access to the labour market is limited while migratory pressure and the demand for informal work is growing, all the conditions are met for developing illegal and semi legal subcontracting and increasing the risk of gross exploitation." - Centre for Equal Opportunity and Opposition to Racism (2006)

The above statement surmises the crux of the challenge facing EU policymakers currently. Before laying out the areas of policy intervention, establishing the necessary outcomes is crucial. Based on the analysis these include:

- Accurate identification and processing of asylum seekers and irregular migrants.
- Those processed as irregular migrants and failed asylum seekers returned to their country of origin;
- Otherwise, creation of legal avenues to issue them identifications necessary to be gainfully employed in the formal economy.
- Similar arrangements be made and enforced in every member state for those asylum seekers waiting for their application decisions.
- Provisions be made to facilitate the formal employment of all job seekers amongst the above.

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\(^{11}\) Ibidem.
• Separate migration status and employment rights to allow all workers, regardless of migration status, to benefit from the protection that labour laws are set up to provide.

Migrants and asylum seekers stuck in Europe without authorisation face two plausible options from a policymaker perspective: first, reparation — voluntary or arranged by the EU; failing which, local integration — this would involves facilitating their entry into local formal economy. The first option is a logistically and politically expensive affair, and thus is rarely taken up. On the other hand, economic integration is a more plausible scenario: integration into the formal economy enables migrants and asylum seekers to contribute to the tax base and decrease their overall fiscal burden on the system.

Currently, the approach towards economic integration varies country to country within the EU. For instance, while in Greece work permits can be issued for asylum seekers no such provisions are available in Italy. Some states such as Germany offer generous monthly allowances and living arrangements instead of work opportunities, but others such as Slovakia and Hungary offer minuscule benefits and no work permits. This heterogeneity creates a lot of confusion amongst all new arrivals, and creates an environment in which people are 'asylum shopping' whereby asylum-seekers choose the EU Member State with the highest protection standards for their application.\(^\text{12}\) The Common European Asylum System (CEAS) completed in 2013 sought to remove significant differences in treatment of asylum-seekers across the EU, however its implementation has been minimal and does not address the issue of migrants taking up informal jobs.

Furthermore, those who are issued permits face the challenge of finding an appropriate job. Qualifications and higher education degrees from most countries of origin are not recognised by European companies, forcing migrants to work at jobs below their skill level.

Thus, the role of private institutions and civil society is also important in ameliorating the current scenario: The dominant way of organising work in the EU countries is through Small and Medium-sized Enterprises (SMEs) — as they employ the majority of all workers. However, most SMEs do not describe this role that they play in terms of theoretical constructs such as Corporate Social Responsibility (CSR) or business ethics. For instance, SMEs operate in closer proximity to the communities within which they function, and on whose support they depend. As such, they respond to the needs of these communities on an ad hoc basis, rather than having a well-designed social responsibility strategy. Whereas large firms may describe these in codes of conduct, SMEs tend to perceive responsible business practices as a much more intrinsic part of their everyday business and are therefore likely to remain informal and intuitive, especially in micro enterprises.\(^\text{13}\) There is therefore a real need for governments, large enterprises and other stakeholders such as federations of small businesses to support SMEs by creating an ethically conducive environment as well as through the development of ethics management strategies that are flexible and affordable enough to be implemented within small and medium sized organisations.

The United Nations has decreed the right to work as one of the key human rights, yet within most EU Member States asylum seekers do not have the legal right for employment. Those with refugee status need not only the legal authorisation to work but they must also be able to execute this right. In order to ensure this, it is important to reduce legal, administrative and practical barriers to participation in the labour market, such as restrictions on work permits. They also need to promote integration programmes including language classes and courses on how to access the labour market.


Thus the efficient use of the skills of all migrants and development of their potential requires a series of measures including: 14

- creation and enforcement of a common integration scheme across Europe for all asylum seekers;

- issuance of identifications and other initiatives to encourage irregular migrants already present in the EU to regularise;

- increasing the take-up of recognition of foreign qualifications;

- making sure that immigrants have access to the most efficient active labour market programmes and developing flexible specific measures to improve access and impact;

- putting immigrants more directly in contact with employers;

- making sure that children of immigrants have access to early childhood education and care;

- providing language training adapted to migrants’ skills in destination countries;

- facilitate access to legal information and legal aid;

- involvement of refugees and asylum seekers as consultants in the policy making process;

- involvement of civil society and chambers of commerce to minimise informal activity.

There is a curious and unintended two-way relationship between migration, migration restrictions and its irregularisation. Instead of acting as deterrent, the effect of restrictive policies is the plunging of migrants into invisible activities, creating a group of people on the verges of society or beyond social security systems without any fundamental rights. This fits larger transition in the developed world towards skill based discrimination of migrants trying to enter their borders, creating an underbelly of low skilled migrants seeking entry through illicit means.

4 CASE STUDY: ASYLUM SEEKERS FROM AFGHANISTAN

4.1 History of Afghan Migration

First major wave of Afghan migrants was brought on by Russian invasion of Afghanistan and ensuing military conflict in 1979. These Afghans belonged mostly to privileged wealthy groups, including the ruling class of previous regime. Second wave of immigration from the country occurred after 1992 overthrow of communist government. This movement was similarly lead by establishment elites connected to the previous regime. These affluent classes were arriving directly to Europe and were granted protection under refugee status and then gained permanent resident permit. This allowed them to integrate within society, including participating in its labour market. 15

Yet in general, most of Afghan refugees belong to poorer middle and lower classes and are therefore more vulnerable. Ethnic violence and establishment of Taliban rule in 1996 led to another exodus, this time with a more prominent representation of less affluent citizens. Those


who could not afford the direct transport to Europe or the United States headed first for Pakistan and Iran and later crossed through Turkey and further to the West. However, this wave of migrants, consisting mainly of lower classes, faced tightening migration policies in European states. Unlike their predecessors, many of these newcomers were provided with only temporary asylum status and number of them were later deprived of this as well. To resolve the situation of increasing number of migrants, some states started to make use of voluntary return programmes, with aim of returning migrants to their country of origin. Majority of Afghans who participated in this scheme belonged to elite class. On the contrary, lots of underprivileged members of society, who were not able to secure permanent residence or were denied asylum, stayed in their host country and fell into ‘illegality’.16

4.2 Profile of undocumented Afghans in Europe

It was estimated that overall number of Afghan citizens in Europe is higher than 500,000. Afghans constituted one of the largest groups among the undocumented migrants presented in the EU in 2004.17 However, to get an exact figure is impossible. Path of Afghan asylum seekers and migrants usually leads through Iran and Turkey, reaching Greece by sea route. However, majority of migrants do not apply for asylum in Greece. Instead, they continue their journey via Italy further to Europe, heading for countries with better living conditions, such as Germany, Great Britain, Sweden and Finland.18

By putting together studies of undocumented migrants in several European countries, a common pattern emerges. Afghan undocumented migrants are predominantly low-educated, young males under 30, who left their country at a young age. Majority of them come from poorer lower and middle class, although they are generally not impoverished. After their arrival to Europe, they occupy low-skilled, low-paid and unstable jobs with unsatisfactory working conditions, often within their ethnic community, with low prospects of attaining higher status or full integration within society.19

Their undocumented status reinforces segregation from domestic population, given that they are denied access to education, state welfare schemes, and regular employment, which results in more dependency on their ethnic networks.

4.3 Afghanis in London’s Restaurant Sector

Ethnic enclaves, networks of businesses and workers from shared ethnic background, play an important role in assisting newcomers in acquiring a job. This remains true for Afghan migrants as well. Research conducted on undocumented migrants from Pakistan and Afghanistan, provides personal documentation of irregular Afghan migrants in London’s informal economy. Many of undocumented foreigners remain within their ethnic enclaves permanently without a real prospect of professional growth. Afghanis in London, especially those who lived in Pakistan for a while and speak Urdu, often try to insert themselves within the Pakistani community. However, keeping in mind hierarchies between ethnic communities, Afghanis have inferior status in Pakistani networks. In addition to division of migrants within ethnic enclaves with regards to country of origins, Afghan migrants themselves do not constitute a unified mass.20

16 Ibidem.
19 Ibidem.
Within London’s restaurant sector, new-coming undocumented Afghans usually begin with the worst jobs, which is consistent with the hierarchical order of the labour market. However, there is possibility of an upward movement, related to the length of employment and attained skills and experience. Increase in wage over time as well as moving to a better position is expected and often demanded by workers.\textsuperscript{21}

\subsection*{4.4 Afghan Labour Conditions}

For undocumented Afghans, most accessible jobs are temporary, physical position within a service sector and construction industry. Long-term work with stable hours is harder to come by. The first employment for new migrants is usually characterised by the worst conditions. However, as they acquire skills and contacts, they are able to climb to a better position, and even out of the ethnic community to better paid jobs. Experience regarding work conditions among undocumented Afghans varies. Some are working hard, physical jobs with 14 hour work day for 6 days a week, getting paid extremely little money (GBP 180/week). These jobs represent work that regular migrants are usually not willing to do, such as “lifting 40-50 kg bags of rice in Asian-owned supermarket”, “putting meat on kebab skewers”, “painting, building and decorating”, or “fixing tiles in the rain”.\textsuperscript{22}

Even though there is a prospect, however limited, of improving the position within a job market, as far as migrants remain undocumented, they cannot achieve significant upward mobility and remain stuck with low-skilled jobs. In a long-term, there are opportunities for regular migrants to open their own businesses, but this is unattainable to irregulars and they are excluded from the participation in a society. They are not able to obtain bank accounts, access health care and public services or enter real estate market. Owing to the regularisation initiatives in the UK, number of undocumented Afghans were able to legalise their status, become British citizens and come out of the shadow. Without this possibility, they are destined to remain permanently in the grey zone of society and economy.

\subsection*{4.5 EU Migration Policies and Afghanis Migrants}

Interestingly, a significant portion of Afghan migrants, who have resided in Europe for several years, never applied for asylum to gain an opportunity to obtain legal status. However, with increased controls and stricter enforcement of migration policies by EU states, a lot of them were pushed to submit an application to avoid deportation, which partly contributed to an increased number of asylum seekers.\textsuperscript{21} One of the reasons for their reluctance to try for legalisation of their status earlier, is the length and complexity of the procedure. Therefore, rather than apply for asylum (in the UK) and wait months without the work permit for the decision, migrants register only after being caught. Complicated asylum process with changing rules results in many asylum seekers not being able to keep up with the rules and applications. Even if they apply for asylum and their claim is rejected, they are not aware of an option of appeal and other follow up procedures. Great sum of failed requests (in Greece) can be contributed partly to complicated bureaucracy, language barriers and resulting lack of information about the process.\textsuperscript{24}

Considering that for undocumented migrants informal work is the only possibility of securing an income, they become extremely flexible with regards to labour conditions and salary. Dependency on any kind of job is further strengthened by the fact that many of them are relied upon to support their families back in Afghanistan.

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{21} Ibidem.
\item \textsuperscript{22} Ibidem.
\item \textsuperscript{24} Fidan. An Approach To Undocumented Migrants In Greece.
\end{itemize}
\end{footnotesize}
The nature of migration, fiscal and labour policies of the European Union and its Member States creates conditions for asylum seekers and other irregular migrants to remain in the shadows. Not addressing this issue risks the emergence of EU sweatshops.

Formal employment of people waiting for the assessment of their asylum requests is not allowed in most European countries. This process can take months and migrants have no other option than to find work informally to support themselves as well as their families. Add to that people whose claims are rejected but are stuck in the EU afterwards and those who come purely for economic reasons without any papers, and we have a large group of undocumented persons who are not able to actively participate in the formal economy of their host countries.

Access to the (formal) labour market is one of the basic human rights. Right to work helps reinstate a sense of self-worth, is crucial to human dignity, facilitates recovery from trauma, and encourages financial independence. Communities are more likely to be cohesive, as employment is linked to other areas of integration. Moreover, opportunity of formal employment for asylum seekers and refugees is beneficial to society as a whole, in that the state has fewer costs providing social assistance. By creating a legal way of allowing migrants to participate, at least partially, in the regulated labour market, undocumented foreigners could finally put their drive, energy and skills to use outside of the unregulated area of the economy. This responsibility lies both with governments — both EU and member states — as well as private businesses and civil society.