



# Refugee employment policies in Luxembourg

## Evidence, gaps, and priorities

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Luxembourg is entering a new phase in its refugee policy, shifting its focus from linguistic and civic integration to labour market integration. Recent reforms and ongoing discussions – most notably easier access to temporary work permits without a labour market test – are steps in the right direction. However, unlocking refugees' potential requires more than incremental changes. What is needed is a coherent strategy combining early skills assessment, effective reception, targeted language training, preparation for shortage occupations, and direct links to employers through coaching, mentoring and job matching. Many of these tools already exist, often driven by dynamic NGO initiatives. The priority now is clear: move from experimentation to impact by strengthening coordination, rigorously evaluating what works, and scaling up the most effective programmes. Aligning these efforts with labour market needs is key to turning untapped potential into economic and social gains.

Luxembourg is a relatively recent destination for refugees, with the 2015 crisis marking a turning point. While the total number of refugees remains modest, Luxembourg ranks among the highest in the OECD for asylum applications per capita. This brief uses the term ‘refugee’ broadly to encompass asylum seekers (*Demandeurs de Protection Internationale*, DPI), beneficiaries of international protection (*Bénéficiaires de Protection Internationale*, BPI), and beneficiaries of temporary protection (*Bénéficiaires de Protection Temporaire*, BPT) – the latter being predominantly Ukrainian nationals subject to distinct legal frameworks. Based on recent UNHCR estimates, there are roughly 10,000 BPI, 3,000 DPI and 4,000 BPT, together representing around 2.5% of the population.

## Refugees are not like other migrants

Refugees differ from other migrants in several fundamental ways that directly affect their labour market prospects (Becker and Ferrara, 2019; Cortes, 2004). Refugee migration is forced and largely **unprepared**, often leading refugees to settle in destinations that are economically suboptimal. Refugees typically arrive with limited information about the host country’s labour market, institutions, or language requirements, and are immersed in a new cultural environment.

Displacement entails a substantial **loss of assets**, including the destruction of housing and real estate, with refugees often arriving with limited financial resources. Furthermore, it is associated with a loss or depreciation **of human capital**. Language is a major constraint, as linguistic skills acquired in the country of origin are rarely transferable. While these populations are diverse, they often include a relatively high proportion of individuals with **low or medium levels of education**. Even when highly educated, diplomas are difficult to recognise, particularly in regulated professions (Brell, Dustmann, and Preston, 2020). All these factors make it extremely challenging to find jobs that match their skills.

In addition, many refugees have experienced **trauma**, which can impact physical and mental health, their trust in others and, consequently, employability. They also face uncertainty about the fate of relatives left behind and about their own legal status. **Legal uncertainty** complicates integration, particularly for DPIs, as their right to remain and work remains unclear during the initial stages of the asylum process (Marbach et al., 2018).

These structural constraints are directly reflected in their labour market outcomes. Across OECD countries, employment rates among refugees typically range between 30 to 35% in the first years after arrival, compared to 60 to 70% for the overall immigrant population. While these rates tend to increase, even after a decade large gaps remain. Crucially, there is significant variation in the labour market performance of refugees across countries. In the best-performing cases, such as Germany, 65–70% of refugees are employed after one decade (Brücker, Jaschke, and Kosyakova, 2026). In other countries, including Belgium and France, long-term employment rates tend to remain lower, typically in the range of 50–60%. While evidence for Luxembourg is limited, available indications suggest that outcomes may be closer to this lower range – or even below. This cross-country variation highlights the importance of policy design and implementation for long-term integration outcomes.

A recent LISER survey, while not representative of the refugee population, reports an employment rate of 28% after 10–18 months, alongside low levels of income, with around 80% earning less than €2,000 per month. Nevertheless, 96% of respondents expressed a desire to remain in the country and eventually become naturalised citizens (Verheyden et al., 2026). Hence, most refugees intend to stay long term, making their economic integration a central and long-term priority.

## What makes refugee employment policies effective?

There is ample evidence, summarised in Bahar, Brough, and Peri (2024), highlighting the essential components of successful refugee employment policies. A central message is that no single policy instrument is sufficient on its own. Effective integration requires a combination of complementary measures that are carefully sequenced and adapted to the characteristics of the target population.

The first dimension relates to **access to the labour market**. Waiting periods and administrative restrictions have a persistently negative effect on employment and wages. Studies show that delaying access to work, even by a few months, reduces short-term employment probabilities by around 9–10 percentage points, with effects lasting 12–15 years (Marbach et al., 2018; Fasani et al., 2021). That said, not all refugees will find employment immediately. Those who do tend to be individuals who

already possess relevant language skills or who benefit from strong social networks. For them, early access can significantly improve integration trajectories. Concerns that easier access to employment would create 'pull factors' have not been supported by empirical evidence. Early labour market access is therefore crucial.<sup>1</sup>

The second dimension is **language and civic training**. Proficiency in the language of the host country is essential not only for employment, but also for broader social integration, including access to services and improved health outcomes. Effective language programmes must be carefully designed (e.g., Dahlberg et al., 2024). While empirical evidence regarding the optimal length of language programmes is inconclusive, programmes should not be too short – with evidence suggesting a minimum threshold of around 300 hours – but they should also avoid being excessively long, as this can generate lock-in effects that delay labour market entry. In Germany, Marbach et al. (2025) demonstrate that programmes shorter than 300 hours have limited impact on employment prospects, whereas longer integration courses of up to 900 hours yield more positive results. Evidence from France shows that shorter programmes (e.g., *Contrat d'Accueil et d'Intégration*) can activate job search without meaningfully improving employment rates (Lochmann et al., 2019). Overall, the effectiveness of programmes depends on their design and context. Courses should be adapted to participants' levels to avoid excessive heterogeneity within classes, as this can reduce learning outcomes and motivation among participants and instructors. Accessibility is also essential: courses must be free of charge and geographically accessible, as well as compatible with family commitments, including childcare (Foged et al., 2022). Moreover, they should be adapted to the special needs of refugees, such as those illiterate or coming from countries with a non-Latin alphabet.

The third dimension concerns **activation policies**, including vocational training, job preparation, coaching, mentoring, or job placement. Evidence suggests that the more individualised these programmes are, the more effective they tend to be. Activation policies are particularly effective when combined with language training and aligned with local labour market needs, especially in sectors experiencing labour shortages.

Strong links with employers, including through subsidised work placements or internships, can help to overcome barriers to entry and facilitate matching (e.g., Foged et al., 2022).

The fourth dimension relates to **income support**, including in-kind and cash transfers. While there is an ongoing debate about the potential disincentive effects, empirical evidence shows that transfers, whether in cash or in kind, do not significantly hinder labour market integration. In fact, they may provide the stability needed to undertake training and job searches.

The fifth dimension concerns **location and reception conditions**. The initial placement of refugees affects their access to employment due to proximity to labour markets, training centres, local economic conditions and the availability of networks (e.g., Aksoy et al., 2023). Placement in economically dynamic areas or well connected by public transport tends to improve outcomes, particularly when combined with high-quality institutional support. Residence obligations and other measures hindering labour mobility have therefore particularly adverse effects in structurally weak regions (Brücker et al., 2020).

Overall, these policy dimensions are strongly complementary. Early access to employment, combined with appropriately designed language programmes and personalised activation policies, yields the best results. The order in which policies are implemented is also critical. However, the effectiveness of policies varies across countries, reflecting differences in language, labour market structures and social contexts. This underlines the importance of country-specific evaluations.

## Lessons from Germany

Germany's experience since 2015 provides important lessons for refugee integration policies. Following the arrival of large numbers of refugees over a short period, the country implemented a wide range of measures to promote their long-term integration. By 2025, there were 3.2 million refugees, representing around 4% of the population.

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<sup>1</sup> This issue extends beyond formal employment bans. Even when labour market access is granted de jure, lengthy asylum procedures create uncertainty regarding legal status and prospects of staying, which impairs the employability of refugees de facto. Fast asylum procedures are thus essential for labour market integration as well (Hainmüller, Hangartner, and Lawrence, 2016).

A key lesson is that fast employment convergence was possible. After an initial period of low employment, refugees gradually entered the labour market, reaching employment rates of around 65–70% within ten years, approaching the national average. The vast majority are in dependent employment, and around 5% are self-employed. While most are employed in low- to medium-skilled occupations, they have helped to fill gaps in essential sectors or those facing severe labour shortages (Brücker et al., 2025; 2026).

Integration can succeed if appropriate policies are in place and sustained over time:

- Germany reduced institutional barriers by **accelerating asylum procedures** and **easing employment restrictions**. These measures had a positive effect, particularly in the early stages of integration.
- **Language and integration programmes** played a central role. Although they initially reduced employment due to lock-in effects, they generated significant employment and earnings gains in the medium term. This highlights the importance of taking a long-term view when evaluating policy effectiveness (Kosyakova et al., 2022; Marbach et al., 2025).
- Germany has also invested heavily in **activation policies and public employment services**, including counselling and job placement. These policies have been further strengthened through the ‘Job Turbo’ initiative, which has particularly targeted Ukrainian refugees while also benefiting other groups. These policies have helped to structure transitions from legal status to language acquisition and housing stabilisation, ultimately leading to employment (Brücker et al., 2026; Hainmüller et al., 2026). One downside, however, is that the dispersal of institutional responsibilities has hindered the provision of timely counselling and job placement, delaying labour market integration.
- German society was characterised by a strong **welcome culture**, with substantial engagement of volunteers and civil society organisations. Experimental evidence shows that mentoring from volunteers significantly improves integration prospects and well-being (Jaschke et al., 2022)

At the same time, certain policy choices – such as prolonged stays in shared accommodation – and rising discrimination have hindered integration and may continue to do so more severely:

- Restrictions on geographical mobility, such as **residence requirements**, have had a significant negative effect on employment, highlighting the importance of allowing mobility towards regions with stronger labour demand (Brücker et al., 2020).
- The German experience also highlights **persistent gender gaps**. The lower employment rates of refugee women are largely explained by childcare responsibilities, educational differences, concentration in regulated occupations, and delayed access to integration programmes rather than cultural factors.
- The limited access to the **health system** during the asylum procedure has an adverse impact on mental and physical health, which in turn impairs the employability of the refugee population. In contrast, easing the access to the health system – e.g., via an electronic health card in some Federal States – has substantially improved the health status and increased employment rates.
- Local **anti-refugee** and **anti-immigration sentiments** have proven in several studies to significantly reduce the employment opportunities and wages of refugees, thereby increasing their unemployment and dependency on welfare (Aksoy et al., 2023).

Looking ahead, the political and public climate is becoming more hostile. Beyond tighter admission and border controls, integration policies have also been affected: asylum seekers and Ukrainian refugees have been excluded from elementary language programmes, and budget cuts are likely to reduce language proficiency, delay labour market integration, and increase long-term welfare dependency.

## Luxembourg: gaps and priorities

Luxembourg shares many characteristics with other European countries in its refugee employment policies, but also faces specific challenges. The country faces structural and dual labour shortages – both in high-skilled sectors and in medium- and lower-skilled occupations (construction, transport, hospitality, care and personal services), which are likely to intensify with demographic ageing. The model has long prioritised linguistic and social integration over early labour market integration, but is slowly transitioning towards a more employment-oriented framework.

**Access to employment** has historically been constrained, although the situation is evolving. Asylum seekers must wait six months before applying for a temporary work permit (*Autorisation d'Occupation Temporaire, AOT*). Until recently, this permit was subject to a labour market test and limited duration, making the procedure complex and often discouraging for employers. Since 2023, the labour market test has been removed, contributing to a sharp increase in the number of permits issued. Fully removing the AOT and reducing the waiting period to four months are also under discussion. International evidence suggests that such initiatives easing access to employment can support integration outcomes without necessarily generating additional inflows.

Although **language policies** are well structured, they may not fully realise their potential. While the number of instructional hours remains relatively limited, programme duration tends to be long (at least one semester), which may reduce labour market impact. Additionally, qualitative evidence from Chaves et al. (2022) indicates that heterogeneous classes can diminish teaching effectiveness and participant motivation. Therefore, greater targeting and adaptation of programmes could help improve outcomes. Ongoing pilot programmes are testing whether more intensive courses, combined with job-specific content targeting shortage occupations, can generate stronger labour market outcomes.

**Activation policies** have long remained the weakest component of the system. Access to ADEM training has been limited, notably due to residence/contribution requirements, and much of the activation effort has been decentralised to social workers and NGOs, in contrast with more 'work-first' approaches observed in

countries such as Germany, Switzerland or some U.S. states. However, this is beginning to change. Several initiatives illustrate promising approaches. For example:

- Connect2Work (SINGA) focuses on employment support, networking, and matching between refugees and employers, addressing the often-missing dimension of social capital.
- Lët'zStart (Luxembourg Red Cross) combines language training, individual support, and job preparation, reflecting an integrated policy approach.
- Include and RecruitMe (RYSE) aim to improve employability and reduce frictions on the employer side through awareness and matching.
- ReStart (Coopération Nord-Sud) provides a comprehensive pathway focusing on skills, autonomy, and soft skills such as confidence and socialisation.
- Coach4Work (ASTI) offers mentoring and personalised support.

While these programmes broadly align with best practices, most remain limited in scale and have not been rigorously evaluated. Consolidating, structuring, and rigorously evaluating these initiatives – before scaling up the most effective ones – should therefore be a priority.

For example, the IDEALUX-PARLE project – a partnership between LISER Policy Lab, the Abdul Latif Jameel Poverty Action Lab (J-PAL), ONIS, EFID and the Ministry of Family Affairs, Solidarity, Living Together and Reception of Refugees – targets beneficiaries facing learning difficulties through intensive language training (around 100 hours over six weeks), combined with job-specific vocabulary in shortage occupations. This type of intervention appears promising and is currently subject to a first rigorous evaluation (one of the largest randomised controlled trials in this field, involving treatment and control groups of around 500 participants each), although it may need to be complemented by coaching, mentoring and job placement measures.

Another issue is the lack of systematic skills assessment at the outset, which practitioners have identified as a constraint (Chaves et al., 2022). Introducing an 'integration passport' could help to track refugees' educational and professional backgrounds, document acquired skills and guide more tailored training pathways. This tool could also facilitate coordination between institutions and improve the availability of data for evaluation

purposes. Finally, there is limited evidence on the role of spatial factors in Luxembourg, including how initial placement – e.g., the composition of reception centres by origin, gender, or education level – affects labour market integration.

Overall, refugees represent a real potential – as illustrated by the German experience – but this potential will only translate into employment if barriers are reduced and policies are better aligned with labour market needs. Recent signs suggest that Luxembourg is shifting its focus towards stronger labour market integration, which appears both justified and timely.

### **Conclusion: turning evidence into action**

A key insight from the international literature is that policies which are effective in one country do not necessarily produce the same results elsewhere. Differences in language, cultural proximity, labour market institutions, population attitudes and employers' behaviour, and the density and composition of migrant networks all shape integration outcomes. This highlights the need to complement international evidence with context specific policy design.

Encouragingly, Luxembourg has recently taken important steps in this direction. The removal of the labour market test for temporary work permits, the increase in their use, and expected measures linked to the EU Pact on Asylum and Migration suggest a gradual shift towards earlier and more employment-oriented integration. That said, the Pact raises also concerns among some human rights organisations, particularly regarding border procedures and the externalisation of asylum responsibilities to third countries with weaker protection standards.

For Luxembourg, priorities are becoming clearer. Evidence consistently points to the importance of reducing barriers to early labour market access, strengthening well-designed language programmes, and expanding activation and job-placement policies closely linked to employers. The German experience shows that such a combination can lead to substantial employment gains over time, provided that policies are implemented early and sustained. The role of civil society and NGOs – particularly in mentoring, job matching, and employer outreach – is essential and should be further integrated, co-designed, and evaluated.

Two cross-cutting enablers are essential:

- Better data for policy design and monitoring. Systematic skills assessments at arrival and continuous tracking of individual trajectories – ideally supported by digital tools such as an 'integration passport' – would improve both case management and policy evaluation.
- Stronger coordination across actors. Closer cooperation between public authorities, employment services, NGOs and researchers can support the co-design of interventions and ensure that programmes are both operationally relevant and rigorously evaluable.

Overall, Luxembourg already has many of the key ingredients in place. The challenge is no longer to find new ideas, but to identify what works, scale it up, and institutionalise and coordinate reforms more effectively.

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