

# Why do migrants underestimate their stay duration and how does it affect integration?\*

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## Abstract

Empirical evidence suggests that immigrants underestimate how long they will stay in the host country. We build a simple model to explore three possible causes for this gap between actual and predicted length of stay. We analyse incorrect wage expectations, allowing both pessimism and optimism; projection bias, whereby migrants underestimate how much they will adapt to the host country; and naive present bias, whereby migrants exert less effort than they anticipate. Projection bias leads migrants to underestimate their likelihood of staying, and to integrate less than they should (ex ante and ex post). Pessimistic wage expectations produce the same result, but appear empirically unlikely. Present-bias can lead migrants to over- or underestimate their likelihood of staying, due to lowering both integration and savings. Using the German Socio-Economic Panel (GSOEP), we find that unintentional stayers – who stayed in Germany but initially did not intend to – are less optimistic about their future life satisfaction, integrate less and save more than intentional stayers, consistent with projection bias. We conclude with ways to improve data collection that would allow us to further differentiate between these models.

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