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Labor Market Access and Outcomes for Refugees

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PART I

Labor Market Access and Outcomes for Refugees

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ABSTRACT

Refugees' right to work is protected by international law but often violated in practice. This Digest discusses the barriers that host governments impose on refugees' labor market access and reviews the academic research on the effects of these policies and practices have on refugees and host communities. As expected, barriers like employment bans significantly harm refugees' living conditions in most contexts where research is available. However, the evidence also suggests that most segments of the host communities benefit little and may in fact be harmed by restrictions on refugees' work. The Digest then discusses research on livelihoods programming for refugees and the importance of additional data on these topics.

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Introduction

Access to work is fundamental for the well-being of refugees. Most need to generate income to meet basic needs, as aid budgets or remittances are rarely sufficient. Work has an additional effect on psychosocial well-being, beyond income. Hussam et al (2022) find that offering Rohingya refugees work reduces depression much more than receiving the same payment as a cash grant; the effects are larger than even a year-long counseling program, as per a separate study in the same context.¹ In addition, work for refugees could change host community perceptions from refugees as “burdens” to contributors. And, with 74 percent of refugees displaced for more than five years,² work opportunities can allow donors to reallocate limited aid budgets away from care-and-maintenance programs and toward development approaches with long-run returns.

However, refugees’ access to work is also one of the most controversial policy decisions for host governments. The 2022 Global Refugee Work Rights Report finds that at least 55 percent of refugees live in countries where work rights are significantly restricted in practice (Ginn et al, 2022). Governments, fearing that refugees will negatively affect host communities, try to mitigate the perceived effects by imposing restrictions. Isolated camps are the most evident, but others abound, including employment bans, bureaucratic hurdles to obtaining work permits, restrictions on residence, access to documentation, and access to financial services.

This Digest discusses the evidence on these government-imposed barriers, including their extent, their effects on refugees, and their effects on host communities. The Digest then discusses research on livelihoods programs that directly target labor market outcomes and concludes by noting large gaps in data on labor market outcomes, which limit research on these topics.

¹ Hussam et al (2022) find that work reduces depression by 0.23 standard deviations more than the cash treatment arm without a work requirement. Islam et al (2021) find a 44-week psychosocial support program, also with Rohingya refugees in Bangladesh, reduces depression by 0.14 standard deviations.

² <https://www.unhcr.org/62a9d1494/global-trends-report-2021>

Government Restrictions on the Right to Work

Refugees' right to work has been enshrined repeatedly in global and regional agreements. The 1951 Refugee Convention, signed by 146 countries, guarantees refugees the right to work, freedom of movement, access to services, and more. The New York Declaration for Refugees and Migrants in 2016 and the Global Compact for Refugees in 2018 re-affirmed many of these commitments. Nevertheless, host governments often fail to meet them both in law and in practice.

Researchers have constructed measures to assess government policies and barriers for refugees and asylum-seekers across countries by reviewing laws directly and surveying experts with local knowledge. For *de jure* (legal) measures that include policies on work, the Developing World Refugee and Asylum Policy data set (DWRAP) currently covers much of Africa and Asia from 1951 to 2017 and is expanding globally to 2021 (Blair et al, 2021). The Asylum Policies in Latin America (APLA) database covers 19 Latin American countries from 1990 to 2020 (Hammoud-Gallego, 2022), and indices from Hatton (2016) and Peters (2017) include OECD countries starting in 1997 and 1783, respectively. The 2022 Global Refugee Work Rights Report documents both *de jure* and *de facto* (in practice) environments in 51 countries that host 87 percent of the world's refugee population.³ The Refugee Opportunity Index, led by the Refugee Investment Network and the Economist Intelligence Unit, is in progress and will evaluate *de jure* and *de facto* environments in 10 countries.⁴

At least 62 percent of refugees live in countries that have an adequate *de jure* framework on the right to work, according to the Refugee Work Rights Report (Ginn et al, 2022). Out of the 51 countries in the sample, 40 allow at least some refugees to work, and 30 have laws that permit all refugees to work. The report finds that countries in Latin America have the strongest *de jure* work rights on average, followed by those in Europe and Africa. *De jure* scores are uncorrelated with income per capita, the size of the refugee population, and the political system. Blair et al (2021) use the overall DWRAP index, with the right to work as one component, to find that policy changes

³ Three of the datasets are publicly available: [Blair et al \(2021\)](#), [Ginn et al \(2022\)](#), and [Peters \(2017\)](#).

⁴ The 10 countries are Belize, Colombia, Costa Rica, Chile, Dominican Republic, Ecuador, Ethiopia, Kenya, Peru, and Uganda.

are most likely when a neighboring country is in conflict and are not necessarily made in exchange for foreign aid. Since 1997, when Hatton's dataset begins, laws toward refugees in high-income countries have become more restrictive, while laws in low- and middle-income countries have grown more inclusive (Hatton, 2016; Blair et al, 2021). Laws on livelihoods, however, have changed less and remain more restrictive overall than laws on movement and territorial access.

Laws often do not reflect implementation in practice, however. The Refugee Work Rights Report finds that at least 55 percent of refugees live in countries that significantly restrict refugees' *de facto* work rights (Ginn et al, 2022). The scores include access to wage employment, self-employment, freedom of movement, and rights at work. *De jure* scores are higher than *de facto* scores overall, with a larger gap in low- and middle-income countries than in high-income countries. *De jure* and *de facto* scores are highly correlated, however; more inclusive laws predict more inclusive practices. Further, countries with higher per capita incomes and more democratic political systems generally offer more work rights in practice, while the size of a country's refugee population is uncorrelated with the *de facto* work rights score. The report finds that *de facto* work rights and freedom of movement have changed little globally on net over the last five years.⁵

Effects of Restrictions on Refugees

Labor market restrictions are expected to lower refugees' wages and employment. The size of the effects, however, is less clear without empirical research. Even with access to formal employment refugees may continue to work in the informal sector, especially in contexts where many host citizens also work informally. The summary below covers recent evidence on the effects of labor market restrictions and their reductions. It generally finds that these effects are significant but vary across contexts. Earlier reviews on this topic provide additional sources and discussion, notably Clemens et al (2018a) and Bahar and Dooley (2019).

⁵ For access to wage employment, for example, 28 percent of refugees live in countries where the *de facto* environment has improved for refugees, 29 percent live where it has worsened, 29 percent live where it has remained the same, and 15 percent live where it was not scored. This represents little change on net.

Some of the clearest empirical research on the effects of reducing employment restrictions on refugees comes from Colombia. In 2018, the government offered some of the 1.7 million displaced Venezuelans regularization. The program, called the *Permiso Especial de Permanencia* (“PEP”), unexpectedly granted previously registered Venezuelans the right to work and access basic services, including subsidized healthcare, education, early childhood services, and cash transfers, for two years. The program has now expanded and been extended for ten years.

Two years after the program’s start, Ibáñez et al (2022) find large, positive effects of the PEP for eligible Venezuelans. Venezuelans who received the PEP increase per capita consumption by 60 percent, income by 31 percent, business formalization by 10 percent, and access to financial services by 64 percentage points. Physical and mental health also improved significantly among those who received the PEP. The effects are driven by acquiring formal jobs, access to services, and improved conditions in informal jobs due to increased bargaining power. The labor force gains are larger for men, more educated individuals, and residents of main cities.

Bahar et al (2022) also study the effect of the PEP on Venezuelans. They focus specifically on entrepreneurship and also find large effects from regularization. After two years, Venezuelans who received the PEP were 1.6 percentage points more likely to register a formal firm, which is ten times the average. Entrepreneurship among Venezuelans with the PEP was able to converge to the levels for Colombians. The authors argue that, in addition to reducing bureaucratic barriers, the PEP increased Venezuelans’ willingness to invest in Colombia.

In 2016, five years after the first refugees from Syria arrived, Jordan significantly expanded access to work permits as part of the Jordan Compact. In exchange for grants, concessional loans, and reduced trade barriers from the European Union, United States, and World Bank, the Jordanian government agreed to provide approximately 60 percent of working age Syrians – 200,000 people -- with jobs.⁶ By 2018, approximately one-third of working Syrians had a valid work permit, with the vast majority obtained by men. Stave et al (2021) finds that work permits increased

⁶ For more information on the Jordan Compact, see <https://globalcompactrefugees.org/gcr-action/countries/jordan>

the labor force participation rate, employment, wages, and stability of work for Syrians who obtained permits. They compare Syrians with and without permits and find substantial differences, though outcomes between the groups may have been different even without the introduction of the work permits; in future work, it is important to separate whether the differences are driven by the permits or other characteristics of the work permit recipients. The authors note that 70 percent of Syrians said that the work permit made them feel safe in public places. The report also describes the evolution of the work permits, including waiving fees, allowing for agricultural cooperatives to apply in bulk, and removing ties to specific employers, which increased uptake significantly.

Results from East Africa also indicate benefits to refugees from increased labor market access, though results are more mixed. Betts et al (2019) study the self-reliance policies in Uganda, one of the most progressive refugee policy frameworks globally. Since the Refugee Act of 2006, Uganda has allowed freedom of movement and legal employment of refugees and provided a plot of land to refugees who live in settlements. The authors compare outcomes for refugees in Uganda to those of the same nationality in neighboring Kenya, where policies are more restrictive. In Kenya, most refugees are required to live in the camps and not allowed to accept formal jobs beyond “incentive work” with non-profits.

Incomes among working refugees are higher in Uganda, and easier travel in Uganda provides more economic opportunities. However, the authors also find that employment and access to basic education is higher in Kenya, including after accounting for local conditions. The higher employment rates in Kenya are partially driven by “incentive work” in Kakuma camp, where 80 percent of Congolese employment and 40 percent of Somali employment is with non-profits. This option is much less prevalent – less than 5 percent of employment - in Ugandan settlements, where agriculture is the most common type of employment. The authors note that cross-country differences could be driven by factors other than the policy frameworks but argue that the comparison is nevertheless informative. Overall, the authors conclude that the evidence is mixed and argue “there is a need to go beyond a romanticized view of the Ugandan model”. This is consistent with findings from a newer settlement in Kenya – Kalobeyei -- where refugees are provided with a small

plot of land and more flexible monthly cash allowances than typical food rations. MacPherson and Sterck (2021) find that refugees in Kalobeyei are happier and have better diets compared to neighboring Kakuma, although they find no effect on employment or assets.

Finally, reducing barriers to labor market access for refugees and asylum seekers in Europe has also led to large, positive effects on employment. Marbach et al (2018) find that shortening the ban on employment for asylum seekers in Germany led to higher employment rates, and therefore reduced unemployment transfers. These results are consistent with Fasani et al (2021), who exploit variation in asylum policies across European countries, and find large output losses from employment bans. Importantly, these restrictions on asylum seekers were waived for Ukrainians under the Temporary Protection Directive, which provides Ukrainians the right to work and move throughout the EU for at least one year, though the bans on other displaced populations remain.

Effects of Restrictions on Host Communities

While the effects of restrictions on refugees are important to document, host governments are more likely to respond to the effects on host communities. Policymakers want to know, for instance, whether extending the right to work to refugees would lower employment and wages of host workers. Refugees' access to the labor market could affect hosts in several ways. The evidence above suggests that the right to work allows some refugees to move into formal employment. This could negatively affect the formal sector for hosts when refugees and hosts have similar skills and are substitutes. However, in cases where refugees' and hosts' skills complement each other, hiring refugees could allow the formal sector to expand and create new roles. In addition, if refugees were competing with hosts in the informal labor markets, allowing them to accept formal employment could reduce pressure on the informal sector and raise wages.⁷ Finally, higher wages for refugees leads to

⁷ Lebow (2022) finds that Venezuelan workers in Colombia who downgrade occupations – who are over-educated relative to Colombians in the same job – reduce wages of Colombians without secondary education by at least 30 percent. He estimates that reducing the barriers responsible for occupational downgrading would benefit those negatively affected while having little

increased spending and tax revenues in the host economy, which can benefit a wide range of host producers and the public sector.

The question of how labor market access policies shape outcomes for hosts is distinct from the most studied question on refugees and the labor market: whether refugees' presence affects hosts. The latter question asks whether refugees' arrival in a place affects host outcomes, taking the policies of that place as a given. For instance, Tumen (2016) studies the effect of Syrian refugees arriving in Turkey, who are not given the right to work. He estimates that without refugees, employment for hosts would have been 1.8 percentage points higher, two years after the Syrian conflict started. This is the effect of Syrian refugees who do not have the right to work; Tumen argues that "the prevalence of informal employment in the Turkish labor markets joined with no work permit arrangements for refugees have amplified the negative impact of Syrian refugee inflows on natives' labor market outcomes". In other words, the results depend on the policy in place at the time. Clemens et al (2018b) expand on the connection between impacts and policy in "Migration is What You Make It", detailing seven examples where well-designed policies were necessary for both immigrants and hosts to benefit from immigration.

Across contexts, researchers have asked whether refugees affect hosts differently in areas with and without the right to work. Aksoy et al (2022) look at regions in low- and middle-income countries that received at least 5,000 refugees in any year between 2000 and 2017. They find no evidence that wages or employment decreased on average after refugees arrived, and this was true both in regions with and without the right to work. This is consistent with Verme and Schuettler's (2021) review of 59 papers on the effects of refugees on host communities, covering 19 contexts. They find most results are insignificant, though they do not break down the results by refugees' labor market access. As research is generated on more contexts, building on these papers and examining variation by policies toward refugees is an important research agenda.

effect on more educated Colombians. In this context, government bans are not the main cause of occupational downgrading; he suggests certifying education and licensing, facilitating networks between Venezuelans and Colombians, and reducing discrimination to better match Venezuelans to jobs that utilize their skills and displace fewer workers.

In the Colombia case described above, the effects of the regularization on Colombians have also been small. Fourteen months after the program started, Bahar et al (2021) find that doubling the concentration of PEP holders in a local department reduces formal employment of Colombians by 0.1 percentage points. Compared to the average employment rate of 65 percent, this is a small effect on average, though the effects are more negative for highly-educated workers and women. The authors found no effect on the employment rate of Colombian workers in the informal sector.

In this and other contexts, researchers have modeled the potential effects of labor market policies. In Colombia, Graham et al (2020) estimate that full economic integration of Venezuelans would boost Colombia's GDP by over USD 1 billion per year. Across Latin America, Alvarez et al (2022) find that labor market frictions, including barriers to access, will cost the countries hosting the most Venezuelans between 0.03 and 0.05 percentage points of growth annually through 2030. In Turkana, Kenya, Sanghi et al (2016) estimate host community incomes would increase by 6.1 percent with full integration of refugees. Finally, in Malaysia, Todd et al (2019) project that refugees' right to work would generate over 4,000 jobs for Malaysians.

Livelihoods Programs

In addition to government policies, refugee labor market outcomes can potentially be affected by direct programming, like cash transfers, business trainings, and graduation programs. McKenzie (2017) reviews evidence from low- and middle-income countries and finds that the effects of most livelihoods programs are small. He argues that labor markets in these settings are generally efficient, limiting the number of potential frictions for active programs to target and overcome.

Few rigorous studies, however, exist on displaced populations. Schuettler and Caron (2020) outline reasons for which effects might differ for the displaced. First, refugees often face discrimination both in government policy, as described above, and interpersonal interactions. Second, displacement likely led to lost assets and changes in household composition, trauma, and economic behavior like risk aversion that affect

business practices.⁸ Third, location-specific human capital, including social networks, is often limited at the destination. They review displacement-specific programming, classify promising types of interventions, and generally find that the evidence is limited.

An important question therefore is whether findings from livelihoods research in low- and middle-income countries generalize to displaced people. To test this, randomized controlled trials that include both displaced and host populations are critical, with sufficiently large samples to test for a difference in the effects. Caria et al (2021) is one of the few impact evaluations on labor market outcomes with results following this design. They randomly assign Jordanian hosts and Syrian refugees who are looking for a job to one of three programs or a control group. The first program provides a cash grant of USD 92 that is intended to offset the costs of searching for a job. The second program provides information on job interviews and the rights of formal workers, and the third program provides psychological support during the job search, including a calendar to help job seekers follow through on their plans and reminder SMSs.

The programs affected Syrians and Jordanians differently. After four months, Syrians who received cash were 3.8 percentage points more likely to be employed and earned 65 percent more than the control group. Among Syrians in the information group, employment was 1.9 percentage points higher and earnings 55 percent higher, though the effects are not statistically significant.⁹ Among Jordanians, the authors find no effects from any of the programs. The difference in the estimated results between Syrians and Jordanians shows that the effects of these programs on hosts cannot be projected on refugees, who face different barriers in accessing the labor market.

More livelihoods research on a mixed sample is ongoing. Preliminary results from [Brune et al \(2022\)](#) on the graduation approach in Uganda finds that impacts were generally larger for Ugandans than for refugees. [Beltramo and Sequeira \(2022\)](#) also study a graduation program in Mozambique, with encouraging preliminary findings that are not yet decomposed by nationality. Other trials targeting labor market outcomes are in progress in Uganda ([in Kampala](#) and in [Kiryandongo settlement](#)), and [Kenya](#),

⁸ For instance, Moya (2018) finds violence has temporary effects on risk aversion. To overcome trauma, Ashraf et al (2022) find that visualization strategies significantly affect economic decision-making. A related study by [Bryan et al \(2022\)](#) is ongoing.

⁹ The *p*-values on employment and earnings are 0.145 and 0.105, respectively, which are close to the standard thresholds for statistical significance.

among others. Innovations for Poverty Action [tracks](#) impact evaluations of all topics with forcibly displaced populations in low- and middle-income countries.

Summary and Further Research

Refugees' right to work can potentially be a "win-win" for refugees and host communities. Currently, however, government barriers limit the economic opportunities and outcomes of refugees, while benefits to host communities from restricting refugees' work are generally small, based on existing evidence. Nonetheless, more research is needed to identify potential losers, who could receive part of the assistance saved and aggregate gains generated by allowing refugees to work.

The evidence around labor market access is limited by available data, especially in low- and middle-income countries. Even basic statistics like labor force participation, unemployment, and distribution of wages are unknown for most refugee populations. For this, representative samples are critical in order to generate statistics that are comparable to other settings and the host community. Refugees should be included in sampling frames of regular surveys conducted by national statistical agencies and international organizations – i.e. labor force surveys, Living Standard Measurement Surveys, and the Demographic and Health Surveys - and reported separately. Anonymized, individual-level data should be made public for researchers to maximize its value.

Progress is slow but evident. The 2016 [Syrian Refugee and Host Community Survey](#), for instance, used a comparable questionnaire for refugees and hosts across Lebanon, Jordan, and Iraqi Kurdistan. Detailed, representative socioeconomic surveys exist in [Uganda](#), [Ethiopia](#), and on [Kalobeyei](#), [Kakuma](#), and [Nairobi](#) in Kenya, among others, while academics are leading representative, panel surveys that follow the same respondents over time in Jordan, [Bangladesh](#), Kenya, and Colombia.¹⁰ Finally, refugees are included in samples and surveys conducted by national statistics

¹⁰ Two panel surveys conducted in Jordan are described in [Krafft and Assad \(2021\)](#) and in [Stillman et al \(2022\)](#).

offices in Latin America and the Middle East, though reporting is rarely disaggregated. These are important initiatives that should extend to contexts outside of the major hosting countries.

PART II

Summaries of Select Academic Articles and Research Reports*

Global Refugee Work Rights Report

Thomas Ginn, Reva Resstack, Helen Dempster, Emily Arnold-Fernández, Sarah Miller, Martha Guerrero Ble, Bahati Kanyamanza
Center for Global Development (CGD), Asylum Access, and Refugees International
(2022)

<https://www.cgdev.org/publication/2022-global-refugee-work-rights-report>

This report **assesses refugees' work rights both in law (*de jure*) and in practice (*de facto*) across 51 countries**, which together hosted 87 percent of the world's refugees at the end of 2021. The report also analyses additional factors that are critical to refugees' work rights and economic inclusion, such as access to services and documentation.

The authors define work rights as encompassing: (1) *the right to work*, that is, the right to access wage-earning employment or self-employment; (2) *freedom of movement*, that is, the right to be able to choose where to live and travel; and (3) *rights at work*, which refer to protections that ensure work is safe, fair, and decent, such as minimum wages, maximum working hours, workplace safety and worker wellbeing, prompt payment, and the right to organize (to form or participate in a union or collective bargaining efforts).

The analysis of *de jure* work rights was based on a review of national, regional, and international laws that mandate work conditions in host countries for refugees and asylum-seekers. Countries were rated on a scale from 1 (national policies prohibit

*The JDC Quarterly Digest provides summaries of published research to encourage the exchange of ideas on topics related to forced displacement. The findings, interpretations and conclusions expressed in the literature included in this review are entirely those of their authors and do not necessarily represent the views of the Joint Data Center, UNHCR, the World Bank, the Executive Directors of the World Bank or the governments they represent. For convenience, the Digest contains links to websites operated by third parties. The Joint Data Center and its affiliate organizations do not represent or endorse these sites or the content, services and products they may offer, and do not guarantee the accuracy or reliability of any information, data, opinions, advice or statements provided on these sites.

refugees from working) to 5 (fully functioning national policies support refugees' right to work without restrictions and extend labor protections to refugees).

The analysis of *de facto* work rights was based on a survey conducted between March and December 2021 of practitioners working in international and local NGOs, refugee-led organizations, NGO networks, and multilateral institutions. Questions were asked about: (a) rights to wage employment, encompassing access to and enforcement of work permits; (b) rights to self-employment, encompassing access to and enforcement of business permits; (c) freedom of movement, including freedom to travel domestically and to one's residence; and (d) rights at work, specifically recourse for workplace violations through government institutions.

Rights were assessed relative to host-country citizens to isolate the discrimination faced by refugees, and the analysis focused on practices within the direct control of governments and specific to refugees, as distinct from labor market outcomes such as employment or wages, which do not necessarily result from government restrictions. Countries were rated on a scale from 1 (refugees cannot access lawful employment due to practical barriers and/or significant discrimination from government officials, and they have little access to justice) to 5 (refugees can access their right to work in practice, face little discrimination from government officials, and have access to recourse for labor rights violations).

The sample includes countries in all regions and income levels. 13 countries are in Europe, 12 in Africa, 11 in Latin America and the Caribbean, five in the Middle East, three in South Asia, and three in Southeast Asia. Seventeen countries are classified as high-income by the World Bank, 20 are upper-middle-income, six are lower-middle-income, and eight are low-income countries.

Main findings:

- **More than half of the world's refugees live in countries that generally respect refugees' work rights by law.** Nine of 51 countries (hosting 12 percent of refugees) scored 5, assessed as having a fully functioning national policy that supports refugees' right to work without restrictions, and 21 countries (hosting 50 percent of refugees) scored 4. Income levels do not correlate with *de jure* scores; on average,

low-income countries had the highest *de jure* scores and middle-income countries had the lowest *de jure* scores.

- **On average, *de facto* scores are lower than *de jure* scores.** More than 60 percent of refugees live in countries with adequate *de jure* work rights, however many of these laws are not fully implemented. More than 55 percent of refugees (16 million people) live in countries that restrict refugees' work rights in practice. This includes 19 percent living in countries that severely restrict work rights in practice. In contrast to *de jure* scores, *de facto* scores are correlated with income level; high-income countries have the highest average scores.
- **While *de jure* rights do not necessarily equate to *de facto* work rights, they are a necessary starting point.** *De jure* and *de facto* scores are strongly correlated. Of 19 countries that have adequate *de facto* work rights, only three do not have adequate *de jure* work rights.
- **High-income countries tend to provide the most expansive *de facto* work rights.** However, in practice these rights are substantially constrained by limiting territorial access of would-be asylum seekers, limiting access to refugee status, and restricting work rights of asylum seekers. Other countries that offer strong *de jure* work rights frequently don't issue the requisite work or business permits to refugees or impose other administrative or enforcement barriers.
- **The size of the refugee population in a country suggests little about refugees' rights in law or in practice.** Size of the refugee population is not correlated with either the *de jure* or *de facto* work rights scores.
- **Democracies are equally likely to provide work rights by law as autocracies, however there is a significant correlation between work rights being upheld in practice and the political system of the host country.** A country's political system (a spectrum ranging from autocratic to democratic) is not correlated with *de jure* scores but is correlated with *de facto* scores; more democratic countries are more likely to have higher *de facto* scores.
- **Overall, there haven't been significant changes in work rights over the last five years.** Approximately 28 percent of the refugee population lives in a country where access to wage employment has improved in practice, while 29 percent lives in a country where it has worsened.

- **At least 60 percent of refugees live in countries that are deemed to provide adequate access to primary and secondary education** (these countries achieve a score of 4 or 5 in the scale system developed in the report). Barriers to tertiary education remain significant; at least 68 percent of refugees live in countries with significant barriers to tertiary education relative to hosts.
- **At least 58 percent of refugees face significant barriers to accessing healthcare relative to nationals, often due to higher fees.** Refugees in low-income countries are more likely to face barriers to healthcare relative to citizens than those in middle- and high-income countries.
- **Refugees face significant barriers to acquiring documentation and certifying their academic and professional credentials.** Only a quarter of refugees can easily acquire documentation and only 11 percent can easily certify academic and professional credentials from their country of origin.
- **Only 2 percent of refugees live in countries with adequate access to formal financial services.** At least 84 percent of refugees live in countries that impose significant barriers to financial services in practice.

The authors conclude with several recommendations for refugee-hosting governments and donors to reduce impediments to refugees' work rights.

They call on refugee-hosting governments to: (1) ensure domestic laws give work rights to refugees to uphold these rights in practice; and (2) grant work rights automatically with refugee status and integrate them in identity documentation, to eliminate the need for a separate work permit; and (3) enforce refugees' rights at work and support legal aid for refugees who experience workplace violations.

For donors, the authors recommend creating incentives for host governments to expand refugees' work rights, by linking funding to policies and implementation of refugees' rights and strengthening accountability mechanisms for Global Refugee Forum (GRF) pledges. Donors are also called on to support local organizations advocating for refugees' work rights, and to provide support to host communities, which may be negatively affected by the entry of refugees into the labor market.

Forced Displacement and Asylum Policy in the Developing World

Christopher W. Blair, Guy Grossman, Jeremy M. Weinstein
International Organization, Volume 76, Issue 2 (2021)
<https://doi.org/10.1017/S0020818321000369>

This paper **analyzes the correlates of asylum policymaking in low- and middle-income countries**, which host more than 85 percent of refugees and asylum seekers globally. The authors also examine the role of *de jure* policies as pull factors in flows of forced migration.

The analysis is based on a novel dataset of asylum policies in developing countries, the Developing World Refugee and Asylum Policy (DWRAP). The dataset includes 229 domestic laws relating to forced displacement in 92 African, Middle Eastern, and South Asian developing countries between 1952 and 2017. For each law, the dataset includes 54 codes across five policy fields: (1) *access*: ease of entrance and security of status; (2) *services*: provision of public services and welfare; (3) *livelihoods*: ability to work and own property; (4) *movement*: encampment policies; and (5) *participation*: citizenship and political rights.

The authors also draw on additional data sources including: (a) the UCDP Armed Conflict data set to test the relationship between conflict and forced displacement policy change; (b) data on ethnic groups, their access to state power, and their transnational ties from the Ethnic Power Relations (EPR) dataset; and (c) net bilateral aid from donors on the Development Assistance Committee (DAC) of the OECD to test the relevance of countries' dependence on external economic assistance.

The data suggests the following stylized facts:

- **There is much diversity in asylum policy liberality, which cannot be explained by regional clustering.**
- **Developing countries have been gradually liberalizing their asylum and refugee policies, while developed countries have been moving in more restrictive directions.** Policy liberalization has been pronounced in the areas of

access and movement and comparatively slower in the areas of livelihoods and participation.

Main results:

- **Developing countries alter their asylum policies in response to intense civil wars breaking out in neighboring countries**, which raise expectations of future forced migrant flows and the salience of forced displacement.
- **Policy liberalization is more likely when political elites have co-ethnic kin who are excluded from power in neighboring conflict-affected countries**. This suggests that countries may be willing to bear greater costs to host co-ethnic kin groups.
- **No generalized evidence was found that repressive regimes liberalize displacement policy in exchange for aid**, although this dynamic is relevant for some specific cases.
- **As in Western countries, national wealth is associated with migration policy restrictions in the developing world**.

The authors conclude that developing countries confront different constraints and opportunities when responding to forced displacement. For example, the presence of ethnic kin in neighboring countries and reliance on external aid may influence a country's policy on forced displacement.

Attitudes and Policies toward Refugees: Evidence from Low- and Middle-Income Countries

Cevat Giray Aksoy, Thomas Ginn, Franco Malpassi
World Bank Policy Research Working Paper, No. 9985 (2022)
<https://openknowledge.worldbank.org/handle/10986/37290>

This paper **examines the effect of refugee arrivals on attitudes toward immigrants in a global sample of low- and middle-income countries**. The authors also explore whether these effects vary across camp and non-camp settings or across situations with progressive and restrictive labor market policies.

To estimate the causal effect of refugee arrivals on host communities' attitudes towards immigrants and income, the authors: (a) compare attitudes and income at the regional level four years before and four years after large, sudden arrivals of refugees; (b) compare regions that experienced large increases in refugees with those that did not within the same country; and (c) compare effects across different hosting situations (i.e., by employment and encampment policies).

The analysis is based on data covering the period from 2005 to 2018, including: (i) data on attitudes and income from Gallup World Poll (GWP) and 12 additional public opinion surveys; (ii) refugee populations at the sub-national level from UNHCR; and (iii) data on policies on camps from UNHCR and on *de jure* access to the labor market from [Blair et al. \(2021\)](#).

Preliminary findings:

- **Across all regions, large and sudden arrivals of refugees do not have a negative effect on average attitudes towards immigrants or income.** On average, there is little effect in the periods immediately following a large wave of refugees across affected regions in lower- and middle-income countries.
- **There is little evidence that attitudes towards immigrants or income vary across camp and non-camp settings or across environments with progressive and restrictive labor market policies.**

The authors conclude that, “while restrictive policies are often justified to benefit host communities, there is little evidence to support the argument.”

The Economic Effects of Immigration Pardons: Evidence from Venezuelan Entrepreneurs

Dany Bahar, Bo Cowgill, and Jorge Guzman (2022)

Working Paper

<http://dx.doi.org/10.2139/ssrn.4155358>

This paper **analyzes the effect of an immigration pardon on immigrant entrepreneurship**, by examining the effect of a pardon granted to about 300,000 undocumented Venezuelan immigrants in Colombia in 2018. Colombia hosts nearly

two million Venezuelans, representing about 3.6 percent of the country's population.

The *Permiso Especial de Permanencia* (PEP) is a *de facto* resident visa that gives the holder: (a) the right to access the formal labor market; (b) standing in Colombian courts; (c) access to the banking and borrowing system; (c) the right to remain in Colombia; and (d) access to social services including national healthcare, education, and welfare. The PEP visa did not create a new legal right to create and register a business, since foreign citizens in Colombia were already able to register a new business.

Initially, PEP was targeted to Venezuelan immigrants who had valid documentation. Following a nationwide census of undocumented Venezuelan immigrants living in Colombia conducted between April and June 2018, the *Registro Administrativo de Migrantes Venezolanos (RAMV)*, the government extended the PEP program to undocumented Venezuelan immigrants who had registered in the RAMV and had valid Venezuelan citizenship documents. Among the 442,000 respondents to the RAMV, about 280,000 registered for the PEP (64 percent).

The analysis is based on RAMV census data matched to the Colombia registry of formal firms (Registro Unico Empresarial, RUES) using ID numbers for migrants.

Main findings:

- **Receiving the PEP increased entrepreneurship.** Migrants who obtained the PEP were more likely to start a company by 1.6 percentage points (an effect 10 times the mean level of entrepreneurship in the sample).
- **The effect of the PEP on entrepreneurship increased over time.** While the impact of PEP on starting a firm in 2018 is 0.2 percent, it increased to 0.5 by 2021, and 0.58 percent by 2022, a value close to the estimated Colombian native rate of 0.7 percent.
- **The effect of legalization was over twice as large as the effect of migration.** The effect on the probability of starting a firm of physically migrating to Colombia was half the magnitude of receiving the PEP. This suggests that the legal rights of migrants,

and not only their physical presence in a country, are key for entrepreneurial investment.

- **New firms were meaningful new sources of economic activity**, whether employer or non-employer firms. Employer firms created one to six new jobs. The impact was larger for sole proprietorships than for higher quality sociedades (corporations and LLCs), but there was a significant increase in both types of firm formation.

- **Effects were concentrated among individuals active in the labor force.** Effects were positive and significant for informal workers or those who were previously self-employed, but insignificant for the unemployed, students and homemakers. This suggests the pardon increases the benefit of entrepreneurship for those already active in the labor force.

- **PEP caused the creation of new ventures, rather than inducing the formalization of informal firms.**

- **There were heterogenous effects of the pardon, with larger effects for groups with greater time to spend on entrepreneurship, such as younger people, non-heads of households, and for firms with lower financial assets at founding.** These results highlight the importance of time rather than access to capital as a vehicle for the pardon's effect.

The authors conclude that **providing undocumented immigrants with an immigration pardon, or amnesty, increases their economic activity in the form of higher entrepreneurship.**

Life out of the Shadows: Impacts of Amnesties in the Lives of Refugees

Ana María Ibáñez, Andres Moya, María Adelaida Ortega, Sandra Viviana Rozo Villarraga, and Maria Jose Urbina Florez

World Bank Policy Research Working Papers, No. 9928 (2022)

<https://documents.worldbank.org/en/publication/documents-reports/documentdetail/972051644257549046/life-out-of-the-shadows-impacts-of-amnesties-in-the-lives-of-refugees>

This paper **estimates the causal effects on wellbeing of a regularization program offered to half a million undocumented Venezuelan migrants in Colombia.** Colombia hosts almost two million Venezuelans displaced abroad.

The *Permiso Especial de Permanencia* (PEP) grants undocumented Venezuelan migrants regular status, a work permit to access jobs in the formal sector, access to private services including financial and digital connection services, and the ability to receive a Sisbén score (a metric to determine eligibility for social safety net programs such as subsidized healthcare, public education, early childhood services, and cash transfer).

PEP permits were first issued to more than 180,000 Venezuelans who migrated to Colombia through legal channels. In August 2018, the PEP program was unexpectedly offered to over 440,000 undocumented Venezuelan migrants. Eligibility was based on prior registration in a nationwide refugee census, *Registro Administrativo de Migrantes Venezolanos* (RAMV) administered between April and June 2018. The RAMV was undertaken to count the number of undocumented Venezuelan migrants and not designed to assess eligibility for a regularization program.

The analysis is based on two phone surveys administered between October 2020 and January 2021 to two subsets of Venezuelan refugees in Colombia: (1) an eligible random sample of 1,100 refugee families who had registered in the RAMV census and who were therefore eligible for the PEP in 2018; and (2) an ineligible sample, including 1,132 refugee families who arrived in Colombia between January 2017 and December 2018 but who did not register in the census and were ineligible for the PEP.

Main findings:

- **The PEP program increased job formalization rates for Venezuelans who were able to regularize their migratory status.** Formal employment increased by approximately 10 percentage points—a sizeable effect given the high rate of informality in the Colombian labor market (48 percent).
- **The PEP program increased Sisbén registration and access to financial products.** The PEP program also led to large improvements in registration rates in the system that assesses vulnerability and awards public transfers (40 percentage points), and financial services (64.3 percentage points) for PEP

holders, relative to those who were ineligible for the program.

- **PEP holders experienced substantial improvements in per capita income, consumption, and overall physical and mental health.** PEP holders experienced improvements in per capita consumption (60 percent), income (31 percent), and physical and mental health (1.8 standard deviations) relative to Venezuelans who were ineligible for the program.
- **PEP also appears to have led to improved labor conditions, reduced food insecurity, made PEP beneficiaries more resilient to the negative economic shocks of COVID-19, and contributed to perceptions of a stronger integration into their host communities.**

The authors conclude that **there are sizeable benefits that accrue from regularization, which contribute to accelerated integration of migrants into their destination countries and improvements in migrant wellbeing.** Given that most Venezuelan refugees do not plan to return to Venezuela, the authors suggest that host countries are most likely better off facilitating refugee integration as it reduces the time that refugees are dependent on government support and facilitates their contribution to host societies through taxation.

Immigration and Occupational Downgrading in Colombia

Jeremy Lebow

Working Paper, October 2022

<https://static1.squarespace.com/static/6064ff1093aaa5277d9d8df9/t/6370129dd35f087529990bbf/1668289188429/Lebow2021.pdf>

Between 2015 and 2019, political and economic turmoil in Venezuela forced about 1.8 million people to migrate to Colombia, increasing the country's population by almost 4 percent. Venezuelan migrants disproportionately found employment in occupations that employ less educated Colombian workers, a process known as 'occupational downgrading'.

The author exploits the geographic variation in the arrival of Venezuelan migrants across metropolitan areas to **estimate the effect of migrant occupational downgrading on native labor market outcomes in Colombia**. The analysis is based on data from the nationally representative Colombian National Integrated Household Survey (GEIH), collected by the National Department of Statistics (DANE).

The data shows that Venezuelan migration increased the overall population in the sample of urban workers aged 15-64 by 6.2 percent, with the largest increases in labor supply occurring in occupations employing less-educated workers (7.9 percent, 6.2 percent and 3.9 percent for occupations employing workers with less than a secondary education, secondary education, and post-secondary education, respectively). The author constructs a counterfactual in which there is no occupational downgrading by reallocating migrants to compete with natives in their observed education group. In the counterfactual scenario, workers with secondary and post-secondary education would experience greater increases in the labor supply (5.2 percent, 8.2 percent, and 5.6 percent for occupations employing workers with less than a secondary education, secondary education, and post-secondary education, respectively).

Main results:

- **The arrival of Venezuelan migrants decreased wages for Colombian workers, with the largest decreases for Colombian workers without a completed secondary education, but these effects diminish in the long term as capital adjusts.** Between 2014 and 2019, Venezuelan migration decreased wages by 4.1 percent, 3.4 percent, and 0.2 percent respectively for natives without completed secondary, with completed secondary, and with post-secondary education, respectively. In the long term as capital adjusts to the increase in the labor supply, the decline in wages for workers without completed secondary and with completed secondary wage becomes 2.5 percent and 1.8 percent, respectively, while wages for workers with post-secondary education increase by 1.3 percent.
- **Venezuelan migration affected the wages of existing migrants more than Colombian natives.** Consistent with previous literature, the author finds that migration affects wages of existing migrants more negatively than native wages, due to the

imperfect substitutability between migrants and natives.

- **Occupational downgrading by migrants amplifies adverse effects on wages for natives without a completed secondary education by 30 percent, and this increases to 80 percent after capital adjusts in the long term.** In the counterfactual scenario with no occupational downgrading, the increase in labor supply faced by workers without completed secondary falls from 7.9 percent to 5.2 percent, and their reduction in wages falls from -4.1 percent to -3.1 percent. As capital adjusts in the long term, the aggregate wage effect of migration is zero. However, the distributional consequences persist and the returns to undoing migrant downgrading for wage equality increase even further.
- **Migrant downgrading has little effect on the wages of more educated Colombian workers, who benefit from reduced competition but are harmed by reductions in aggregate productivity.** In the counterfactual scenario with no occupational downgrading, natives with secondary and post-secondary education face increased competition from natives but experience little change in their wages. Wages of natives with completed secondary are unchanged, and wages of natives with post-secondary are only slightly negatively affected, falling from -0.2 percent to -0.6 percent.
- **Migrant downgrading has adverse effects on aggregate productivity.** There are increases in total output from ‘undoing’ occupational downgrading, i.e., from moving migrants into more productive and relatively under-supplied jobs. In the short term, migration increases total output by 1.5 percent and 1.7 percent with and without migrant downgrading respectively. In the long term as capital adjusts, migration increases total output by 3.1 percent and 3.5 percent with and without migrant downgrading. Increases in total output increases the marginal product for all workers and offsets the greater competition faced by more educated native workers.
- **The effects of migrant downgrading are more severe in developing country settings.** The low substitutability across education groups, a common characteristic of labor markets in developing countries, severely amplifies the consequences of occupational downgrading for less educated Colombian workers, by segmenting the economy such that wage effects remain concentrated within education groups.

The results demonstrate how **migrant downgrading can have adverse consequences for low-wage workers in developing countries**, where low substitutability across education groups shields more educated natives from increases in low-wage competition. The results also highlight the importance of policies to reduce occupational downgrading among the forcibly displaced to mitigate negative wage effects for the most vulnerable natives and to maximize the economic gains from migration. Such policies would also benefit migrants. Policies to reduce occupational downgrading could include addressing remaining gaps in legal status, fast-tracking educational recognition and occupational licensing, facilitating migrant-employer networks, and reducing employer discrimination.

An Adaptive Targeted Field Experiment: Job Search Assistance for Refugees in Jordan

Stefano Caria, Grant Gordon, Maximilian Kasy, Simon Quinn, Soha Shami, Alexander Teytelboym

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The Government of Jordan estimates that around 1.3 million Syrian refugees have arrived in the country since the beginning of the Syrian crisis, of whom 660,000 have registered with UNHCR.

This paper estimates the effect of a program to assist Syrian refugees and local jobseekers in Jordan find wage employment. Over 3,700 participants (1,663 Syrians and 2,107 Jordanians) were enrolled in the program, which was implemented by the International Rescue Committee in 2019.

Participants were assigned to either a control group or received one of three interventions designed to address either material, informational, or behavioral impediments to finding and retaining employment: (1) a small, unconditional cash transfer (around US\$90) which enabled participants to cover the average cost of job search for a period of about 10 weeks; (2) information on how to prepare for and interview for a formal job together with information on the legal rights of employees; and (3) a “behavioral nudge” intervention to strengthen job search motivation, including the provision of a job-search planning calendar, an instructional video on

how to use the calendar, a face-to-face demonstration, and reminder text messages. Results were assessed through three phone surveys at six weeks, two months, and four months after the baseline survey.

Main findings:

- **The programs had only a small impact on six-week employment outcomes.** At the end of six weeks, none of the interventions had had a significant impact on the probability that individuals were in wage employment.

- **The cash intervention had large and significant impacts on refugee employment and earnings, two and four months after baseline.** Two months after baseline, the cash transfer intervention had raised the proportion of Syrians who looked for work by 5.6 percentage points (a 13 percent increase over a job-search rate of 44 percent in the control group) and had led Syrians to place 0.5 more job applications (a 40 percent increase over a mean of 1.2 applications in the control group). The cash transfer increased the employment rate by more than 50 percent (5.2 percentage points in the two-month survey and 3.8 percentage points at the four-month survey) and increased earnings by about 40 percent after two months and 65 percent after four months.

- **Liquidity is an important barrier to labor market access for refugees.** The large positive effects on employment and earnings were driven by individuals with below-median expenditure at baseline. Baseline expenditure was also significantly associated with job search intensity in the control group.

- **Information and behavioral nudge interventions boosted job search rates among refugees and positively affected employment and earnings after two months.** Two months after baseline, the information intervention and the behavioral nudge intervention had raised job search rates by 4.7 percentage points and 3.7 percentage points respectively and had raised job applications by 35 percent and 55 percent respectively. While there were positive effects on employment and earnings after two months, the impacts were smaller than those of the cash grant and had largely dissipated by four months.

- **The interventions didn't have any effect on labor market outcomes for Jordanians in the sample.** Jordanians had larger baseline expenditure, searched at higher intensity, and found jobs faster than the Syrians.

The results highlight the liquidity constraints faced by refugees that impede their job search and employment outcomes. However, cash is not the binding constraint for all refugees, as demonstrated by the positive employment effects of information and behavioral nudge interventions in the program.

Cost-Effectiveness of Jobs Projects in Conflict and Forced Displacement Contexts

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World Bank (2022)

<https://openknowledge.worldbank.org/handle/10986/38450>

This working paper **examines the cost and results of jobs support projects financed by the Foreign, Commonwealth and Development Office (FCDO), United Nations High Commissioner for Refugees (UNHCR), and the World Bank in six low- and middle-income countries**, with a view to informing future project design and budget planning. The analysis considers the cost of projects in both forced displacement and conflict settings relative to the cost in other development settings.

Jobs are defined broadly as any legal activity that generates an income, including informal jobs and self-employment. Jobs support projects include interventions aimed at either creating jobs, increasing the quality of jobs (productivity, income, and working conditions), or improving access to jobs for disadvantaged groups. The unit of analysis for this study was the ‘intervention’ or the set of services a project provides to a distinct group of beneficiaries.

The analysis focused on two broad outcomes: (1) *cost-efficiency*, that is the cost per individual beneficiary or firm; and (2) *cost effectiveness*, that is the cost per job created, per additional employment day provided, or per additional unit of income reported. Interventions differ greatly in the additionality and sustainability of outcomes, for example job creation may be temporary or permanent.

The analysis was based on data collected from projects supporting individuals or businesses, funded by FCDO, UNHCR and the World Bank between 2009 and 2019

in Iraq, Jordan, Kenya, Lebanon, Mali, and South Sudan. Programs with very long-term potential jobs impacts (e.g. education programs) and programs focused on policy advocacy only were excluded. The sample captured 109 interventions (freestanding support modalities within projects) across 55 projects, but the analysis focused on 63 interventions that had available cost and output data and 42 interventions that had cost and outcome data.

Jobs interventions were grouped into six categories: (i) *training*; (ii) *job matching and brokerage*; (iii) *graduation or economic inclusion*, including consumption support, savings support, access to a productive asset or support in starting an income-generating activity, and technical and soft skills; (iv) *capital support and access to finance*; (v) *short-term employment in public works*; and (vi) *market system approaches* that aim to improve the functioning of a specific market or value chain, based on the assumption that productivity will rise if inefficiencies in a value chain are removed. Many interventions (roughly one-third) combine approaches, so that beneficiaries receive a package of support. Capital support and access to finance was the most common support modality in the sample, followed by training.

Main findings:

- **Cost efficiency varies greatly across interventions.** The cost per individual beneficiary varied from US\$20 to more than US\$3,200, while the cost per firm varied from US\$3,300 to US\$835,000. For interventions targeting firms, the median cost per firm was around US\$35,000 which was 75 times the median amount of US\$468 spent per individual in the same countries in interventions targeting individuals.
- The costs of the interventions varied considerably across different contexts. For example, for interventions targeting individuals, the median costs per beneficiary were US\$135 for capital support and access to finance interventions, but ranging from \$37 to US\$834; the median cost for job matching and brokerage interventions was US\$180, ranging from \$35 to US\$499
- **Variation in costs reflect differences in the value of direct transfers to beneficiaries, complexity of support provided, ancillary objectives (such as the provision of infrastructure), and context.** Interventions that include multiple forms of support cost more to deliver. Difficult implementing environments, particular needs

of beneficiary groups, and other contextual factors can also increase costs.

- **Forced displacement and conflict settings favor simple and modest capital support programs but drive complexity and cost of training programs, further widening differences in cost between these two types of interventions.**

Training programs are more costly to deliver in forced displacement and conflict settings, and job matching programs are more costly to deliver in forced displacement settings. Job matching and brokerage interventions for forcibly displaced persons and their host communities are more costly than interventions targeting local communities only. Overall, in conflict-afflicted economies, the context can drive up implementation costs but simple designs lower costs.

- **Cost per job created varies across interventions, but there are important differences in the additionality and sustainability jobs created.**

Public works have the lowest median cost per job created (US\$390), in line with the temporary and low-wage nature of the employment offered. Job matching can place beneficiaries in jobs at an intermediate level of cost (US\$3,300 per job placement). The high cost per placement relative cost per beneficiary reflects the low proportion of beneficiaries who succeed in finding and retaining employment. In addition, matching only facilitates access to existing or temporary jobs, rather than creating new opportunities. Start-up-oriented support to access finance (median cost per job of about US\$4,100) and training-based support (US\$4,700 at the median) report a similar median cost, but capital-based support is more likely to provide additional jobs. At the median, programs working with firms report a cost per job of nearly US\$14,000, about four times the median cost in individual-level support, and projects that offer larger grants do not necessarily create proportionally more jobs.

- **Reported cost per unit of income is high in simple capital support projects that provide agriculture inputs.** Interventions that provide in-kind support to smallholder farmers in Kenya and South Sudan spend between US\$0.19 and US\$0.40 per dollar of additional income. **Value chain interventions with a more systemic ambition and additional objectives spend significantly more**—about US\$2 per dollar of additional income at the median.

The authors conclude with the following recommendations to improve the cost-efficiency and cost effectiveness of jobs support programs:

- Remove restrictions on labor market access for the displaced to raise cost-effectiveness of jobs interventions.
- In challenging FCV settings, consider simple designs to achieve cost-efficiency.
- Assess expected cost-effectiveness ex ante by considering the likely productivity, additionality, and sustainability of jobs and income improvements.
- Consider the cost implications of combining jobs support modalities and monitor and evaluate how different components contribute to costs and results.
- In capital support to business activities, consider the merits and cost implications of working with firms of different sizes and capacities. Programs have far higher cost per job when they work with larger firms, and even those directed toward small businesses spend more than those with individual beneficiaries.
- Closely scrutinize the case for jobs support through training. Training interventions spend more per beneficiary and per job than capital support interventions, with weaker evidence of additional job creation.
- Monitoring and evaluation systems should keep track of cost per beneficiary and cost per outcome.

“Yes” in my backyard? The economics of refugees and their social dynamics in Kakuma, Kenya

Apurva Sanghi, Harun Onder, and Varalakshmi Vemuru

World Bank and UNHCR (2016)

<http://documents.worldbank.org/curated/en/308011482417763778/Yes-in-my-backyard-The-economics-of-refugees-and-their-social-dynamics-in-Kakuma-Kenya>

In 2016, Kenya hosted more than half a million registered refugees, roughly a third of whom (more than 190,000 people) were living in the Kakuma refugee camp, located in Kenya’s northwestern Turkana County. Turkana County is one of Kenya’s most impoverished and marginalized counties, with some of the worst development indicators in the country. In 2016, refugees accounted for 15 percent of the county’s population.

This report **analyzes the economic and social impact of refugees in Kenya’s Kakuma refugee camp on host communities in Turkana region**. The authors also assess policies with the potential to magnify the positive impacts of refugees while reducing the negative impacts.

The authors analyze the impact of the refugee camp on host communities through both market and non-market mechanisms. Market mechanisms are those that affect welfare through prices of goods, services, labor, and other factors of production. Non-market mechanisms are those that affect welfare through goods and services for which prices do not exist, such as environmental spillovers from the camp, as well as social, cultural, and security changes. The authors assess market-based welfare changes using a multi-sector general equilibrium model and an empirical approach that focuses on channels of transmission and the aggregate impact by using a set of counterfactuals. Non-market welfare effects are assessed through ethnographic research.

The economic analysis relies on a variety of data sources including the Kenyan census, the registration census conducted by the Hunger Safety Net Program (HSNP), price data from the Famine Early Warning System (FEWSNET) and Livestock Information Network Knowledge System, UNHCR refugee registration data, and WFP statistics.

Main findings:

- **The refugee presence has a beneficial and permanent impact on Turkana's economy.** It boosts Turkana's Gross Regional Product (GRP) by over 3 percent, income per "local" person increases by 0.5 percent, and total employment increases by about 3 percent. However, the impact of the refugee presence on the rest of Kenya is negligible.
- **Unlike tradable sectors, non-tradable sectors (which constitute a much larger share of the economy) benefit from the refugee presence as measured by their impact on prices, wages, and employment.** In the long-term, income in non-tradable sectors (such as housing, land, restaurants, and hotels) grows by over 7 percent, whereas it shrinks by about 7 percent in tradable sectors. Employment in non-tradable sectors increases by 6.5 percent compared to a contraction of 6.3 percent in tradable sectors.
- **The refugee presence increases consumption, self-reported incomes, and asset ownership of the Turkana.** Consumption measures within 5 km of the camp are up to 35 percent higher than in other parts of the county, and those who live

close to the camp tend to have higher income and assets. However, there is heterogeneity in the impact of the refugee presence on host community incomes and consumption. Households with access to small businesses and farm incomes are more insulated from short term shocks, while wage-earner and animal-selling households suffer more from them.

- **There is no clear evidence to suggest that the refugee presence has pushed populations away or pulled them in.**
- **The impact on agriculture and housing is positive, but livestock, the main livelihood of the Turkana region, is adversely affected.** Agriculture benefits (marginally) from the presence of refugees. Livestock holdings, the main livelihood of the Turkana region, decrease near the camp.
 - The refugee presence indirectly influences the housing market.
- **The Turkana have (mostly) positive perceptions of refugees, and these diminish with distance from Kakuma refugee camp.** The likelihood that a member of the host community has negative perceptions of the refugees does not vary significantly with distance. However, the likelihood that a member of the host community has positive perceptions of the refugees decreases with the distance from the camp.
- **The refugee presence seems to benefit Turkana women more than Turkana men.** Turkana women benefit the most from the refugee and UN/NGO presence as they can develop diverse subsistence strategies that includes providing labor to the refugees (housework, fetching water/food) and goods (charcoal, firewood, agricultural crops such as sorghum) in return for both food and cash, which enables them to feed their children and families.
- **The refugee presence is highly correlated with greater physical wellbeing of the host community, but not always mental wellbeing.** The average body mass index (BMI) and sum of skinfold (SSF) values for both men and women were higher in Kakuma (presence of refugees) and Lorugum (presence of development) compared to Lorengo or Lokichoggio (no development), suggesting that the Turkana residents of these locations have far greater access to nutritional security and health. However, the presence of refugees may lead to differences in psychosocial stress within the host community. Turkana men report more “worries” than women, as do the middle-aged and the elderly.

The analysis shows that the refugee presence in Kakuma has had a nuanced economic and social impact on host communities. The overall impact of refugees in Kakuma is positive, but there are segments of the host population and parts of the economy that do not benefit from the refugee presence.

The authors then assess the likely impact of three potential policy options in terms of their transitory and permanent effects on host community welfare, with the status quo 'encampment policy' as a baseline. The three policy options are: (1) limited (economic) integration scenario, in which skilled refugees are allowed to work outside the camp, anywhere in Kenya, while unskilled refugees remain in the camp, and both refugee types continue to receive the same levels of transfers (aid and remittances); (2) full (economic) integration scenario, in which all refugees, skilled and unskilled, are granted legal permits to live and work anywhere in Kenya, either continuing to receive the same level of transfers or no longer receiving transfers; and (3) decampment scenario, in which Kakuma refugee camp is closed and all refugees are moved to other countries.

Main results:

- **Integration boosts local income for about 25 years; decampment reduces it permanently.** Both economic integration scenarios (limited and full) boost per capita income in Turkana. In contrast, decampment leads to permanent income loss in Turkana.
- **Prices in Turkana surge temporarily with integration but collapse with decampment.** In both economic integration scenarios, the price of non-tradables in Turkana initially increases and then falls below integration levels in the long term. In contrast, decampment leads to a complete loss of demand that was generated by the refugees.
- **Integration (marginally) increases economic activity in Kenya in the long-term.** Integrating refugees boosts economic activity across Kenya.
- **All three scenarios lead to a decline in real wages in Turkana, but the magnitude depends on the skill set of refugees being integrated and channels of impact.** When only skilled refugees are integrated, they increase productivity and wages of unskilled workers and reduce the wages of skilled workers. When all refugees join the labor force, the net effects vary.

- **Aid complements and magnifies the positive effect of refugees**, however, in the absence of aid, refugees can still make a positive contribution.

The authors conclude that **economic integration, which increases per capita host incomes by 6 percent, is the appropriate policy for maximizing the beneficial impact of refugees**. Encampment, the status quo, concentrates both gains and losses in the vicinity of the camp, which reduces potential aggregate gains for the rest of the economy outside Kakuma, while increasing gains for those in the vicinity of the camp. Integrating refugees into the economy generates positive economic effects in aggregate terms and also diffuses such effects across all regions in Kenya. Limited integration does this partially. In contrast, decampment leads to both a permanent income loss in Turkana and a collapse in prices. The authors note that these results are contingent on institutional and market factors such as transfers (aid and remittances), market power, and skills acquisition.

Migration Is What You Make It: Seven Policy Decisions that Turned Challenges into Opportunities

Michael Clemens, Cindy Huang, Jimmy Graham, and Kate Gough

Center for Global Development (CGD) Notes (2018)

<https://www.cgdev.org/publication/migration-what-you-make-it-seven-policy-decisions-turned-challenges-opportunities>

The impact of immigration (including refugee flows) can vary across contexts depending on the characteristics of migrants and the local communities in which they settle, as well as the policy environment that regulates the integration of migrants and responses of natives. Most research finds only small or negligible effects of immigration on the average labor market outcomes of natives in both developed and developing countries, however immigration can have adverse impacts (albeit relatively small) on natives with similar skills, experience, and job preferences as migrants. Immigration can also create more and better employment by encouraging natives to upgrade occupations, raising labor force participation of natives, and filling labor shortages to raise productivity. Additionally, immigration can have fiscal costs or bring fiscal benefits, and can lead to either increased or decreased service quality.

This paper **examines how different policy choices can create or amplify positive economic effects of immigration and avoid or reduce negative effects.** The paper covers seven topics, for each of which the authors provide examples of how some policy choices have created positive outcomes, while others have created negative outcomes.

The seven topics are as follows:

- **If immigrants fill labor gaps, immigration can create jobs and raise incomes.** Policies that enable immigrants to fill labor shortages can create jobs, increase labor force participation rates, and increase incomes for natives. Conversely, economic opportunities are lost when policies restrict immigrants from filling labor shortages.
- **Well-designed temporary migration programs can fill critical labor needs, while also minimizing the risk of overstays.** Temporary migration programs are an effective way to fill labor shortages. Whether they are accompanied by visa overstays and violations of workers' rights depends on the incentives created by the program.
- **Creating legal pathways for migration can reduce irregular migration.** Policies that create legal channels for migration can decrease irregular migration (if other key elements are in place). When legal channels for migration are eliminated, irregular migration may increase.
- **The fiscal impact of new immigrants is a policy choice, with potential contributions that go far beyond individual-level taxes paid.** Immigrants can contribute more in taxes than they receive in government services over time, especially if policies support and enable their successful integration into labor markets. For example, in the United States, policies facilitating and incentivizing the labor market integration of resettled refugees have increased refugees' fiscal contributions. In Germany, however, restricting asylum seekers' access to labor markets has limited their fiscal contributions.
- **Immigrants can contribute to the economy as entrepreneurs, investors, and innovators if they are allowed to.** When policies lower barriers to business ownership, immigrants invest in their host economy, hire natives, and boost economic growth. For example, in Turkey, refugees are allowed to formally own and register businesses, which has facilitated investments by Syrian entrepreneurs in Turkey. This in turn has boosted employment, raised incomes, and increased tax revenues. There

is also evidence that the entry of Syrian firms did not displace or prevent the entry of domestic firms. In Zambia, however, policies allow refugees to formally own businesses, but the requirements to register a business are prohibitive. Consequently, most refugees, including business owners, work in the informal sector.

- **Policy decisions in migrant origin and destination countries can turn skilled migration into a drain or a gain.** Many in origin countries view skilled migration as a drain on human capital and fiscal resources. However, different policy choices can make skilled migration an engine of human capital creation and fiscal revenue for both migrant origin and migrant destination countries. For example, a Global Skill Partnership between origin and destination countries can be mutually beneficial, with funding and expertise provided by destination countries to train potential migrants (and non-migrants) in origin countries, thereby strengthening origin country training institutions while at the same time preparing potential migrants for jobs in destination countries.

- **With well-designed policies, immigrants can have a positive impact on the quality of service delivery.** Immigration can affect service quality either positively or negatively. Policy choices, such as creating integrated health systems for refugees and host communities, can determine the impact. In Guinea, for example, government and donors cooperated to create an integrated health system that led to improved health outcomes for both refugees and host communities. In Zaire, however, an uncoordinated response led to a deterioration of the local health system. Donors invested in health centers that provided free health care exclusively to refugees, but not to host communities. In addition, donors offered high salaries to health workers in refugee health centers, and so many health workers left local clinics to work in donor-funded centers. Caseloads increased in local health centers due to refugee inflows, with fewer staff to meet the increased demand. Consequently, host communities experienced reduced quality and access to health services.

The authors argue that **the effects of immigration and refugee inflows can be shaped by policies that regulate labor markets, benefits systems, and mobility.** Productive policies in response to immigration and refugee inflows can create new opportunities and benefits for host countries, origin countries, and migrants.

Annex A: Overview of Articles

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