Refugees as assets not burdens
The role of policy

Dany Bahar and Meagan Dooley
This series is dedicated to the memory of Brooke Shearer (1950-2009), a loyal friend of the Brookings Institution and a respected journalist, government official and non-governmental leader. This series focuses on global poverty and development issues related to Brooke Shearer’s work, including women’s empowerment, reconstruction in Afghanistan, HIV/AIDS education and health in developing countries. Global Economy and Development at Brookings is honored to carry this working paper series in her name.

Dany Bahar is a Senior Fellow in the Global Economy & Development program at Brookings

Meagan Dooley is a Research Analyst in the Global Economy & Development program at Brookings


Acknowledgements
The Brookings Institution is a nonprofit organization devoted to independent research and policy solutions. Its mission is to conduct high-quality, independent research and, based on that research, to provide innovative, practical recommendations for policymakers and the public. The conclusions and recommendations of any Brookings publication are solely those of its author(s), and do not reflect the views of the Institution, its management, or its other scholars.

Brookings recognizes that the value it provides is in its absolute commitment to quality, independence and impact. Activities supported by its donors reflect this commitment and the analysis and recommendations are not determined or influenced by any donation. A full list of contributors to the Brookings Institution can be found in the Annual Report at www.brookings.edu/about-us/annual-report.

Cover photo credit: Shutterstock
Contents

1  Introduction

3  The role of policy

5  Flipping the narrative: Potential gains from international refugee and migration flows

10  Creating an enabling environment: Policy measures to maximize gains and mitigate costs of refugee integration

21  Conclusion

28  Endnotes
Introduction

A 3-year-old Syrian child, washed up on the beach in Turkey after his boat capsized in the Mediterranean. A Rohingya family fording the river to safety in Bangladesh with only a small rucksack of worldly possessions held over their heads. A stream of Venezuelan asylum seekers pouring over the bridge into Colombia in search of medical care. These images of the current global displacement crises have been seared on our collective memories. The scale and scope of the problem are immense: 3.5 out of every 1000 people in the world today is a refugee. The United Nations High Commissioner for Refugees (UNHCR) estimates that 25.4 million people were in refugee and refugee-like situations in 2018, the highest number since World War II (Figure 1).

The prognosis for future displacement trends does not look much better. The growing frequency of natural disasters and environmental degradation brought on by climate change will likely increase the number of displaced persons in the coming years, creating a new class of migrants currently unprotected under international law.\(^1\) Moreover, the world’s poor are increasingly concentrated in fragile and conflict-affected states—by some estimates 80 percent by 2030—which will likely further blur the line between refugee and economic migrants.\(^2\)

The rhetoric surrounding refugees and migrants has become increasingly polarized over the last decade. The global recession exacerbated feelings of economic and social dislocation for the working and middle

**Figure 1: Total stock and population share of refugees, 1990-2017**

![Graph showing the total stock and population share of refugees, 1990-2017](source: UNHCR Population Statistics (2018b))
class in many countries, caused by rapid globalization, the changing nature of work, shifting demographics, and increased strain on post–World War II era social welfare systems. Tapping into these real and perceived feelings of loss, politicians on the far right in many countries have combined populist economic policies with nativist worldviews, using immigrants and refugees as scapegoats for changing economic realities. Refugees—and migrants, more broadly—are painted as a drain on national resources; they place increased pressure on public services, are dependent on welfare programs, and compete for increasingly scarce jobs.

While it is important to acknowledge the political realities that shape the debates around refugees and migrants, it is also important to put these debates in context. Only 1 percent of all refugees are resettled in a third country like the United States or Germany; most remain in their initial country of asylum, typically a neighboring country. Nationalist rhetoric has largely focused on these highly visible one percent, ignoring the fact that the bulk of the hosting responsibility, and hence integration challenges, rests on developing countries. Furthermore, the global discourse has belabored the costs of integration, but rarely discussed the potential gains. Taking a nuanced view—holding the real and perceived political costs of integration in tension with the gains—is an important first step in reshaping the global policy debate around refugee and migrant integration.

In an increasingly interconnected world, greater human mobility should be viewed as an opportunity rather than a risk, a vehicle for expanding growth, trade, and human capital accumulation. Migrants and refugees bring skills, knowledge, innovation, and networks to their host nations, a core engine for economic growth. Yet to date, they represent a largely underutilized resource.
The role of policy

In reality, domestic policies toward refugees vary widely, with a lot of space for improvement. The 1951 Refugee Convention highlights a series of steps states should take to promote refugee integration, but it does not require any action beyond non-refoulement (i.e., the act of forcibly sending refugees back to their countries of origin). While some countries grant refugees full rights to healthcare and education services, others restrict access, leaving the bulk of care provision to nongovernmental organizations (NGOs). Sometimes these restrictions are a matter of public sector capacity: while Jordan initially gave Syrian refugees free access to primary care facilities, the healthcare system quickly became overwhelmed, and in 2014 they began requiring refugees to pay at noninsured Jordanian rates. However, other times there may be outright discrimination. For example, Bangladesh does not allow Rohingya refugees to enroll in public schools, and has recently cracked down on illegal enrollment in the Cox’s Bazaar region. In addition to explicit barriers, two-thirds of refugees live in countries where the official language is different from their mother tongue, which limits their ability to utilize health and education services. These barriers result in real losses in human capital; refugee children are five times as likely to be out of school, with only 50 percent enrolled in primary school and less than 25 percent enrolled in secondary. These access barriers may be particularly detrimental for women and girls, who face a higher risk of sexual and gender-based violence (SGBV) during displacement and are more likely to be pulled out of school in response to financial hardship. Refugee populations may also face difficulties integrating into the labor market in host countries, which limits their ability to become self-sufficient. While the 1951 Convention pushes for unfettered access to wage and self-employment, many countries deny refugees formal labor market access. Even where participation is allowed, permit fees, mobility restrictions, and discrimination may limit employment options. Thus, many refugees, especially women, remain relegated to the informal sector, lacking protections and formal redress mechanisms for exploitation and harassment.

On top of this, a lack of documentation can exacerbate the above vulnerabilities. While many asylum seekers enter the country and register with the national authorities and UNHCR to receive official refugee status, some remain undocumented. In fact, many refugees flee without formal identification such as birth certificates, marriage licenses, and passports. Without proper documentation, access to humanitarian aid, education, health, and social services may be limited. In order to register a birth in Jordan, for instance, parents must provide proof of marriage. Since many no longer have a copy of their marriage license, many refugee children remain unregistered and thus unable to attend school. Women are particularly affected, as undocumented women face an increased risk of SGBV, workplace exploitation, and forced marriage.
Without documentation, refugees live in limbo—unable to return home due to safety concerns, yet vulnerable to harassment and deportation in their new countries.

In order to capitalize on the opportunity migrants and refugees present, countries need to create enabling environments that provide stability and predictability, giving newcomers the security to invest in their own human capital, businesses, and communities. Host nations should grant migrants and refugees the right to work, freedom of movement, and protections under the law. In addition, the international community should help host countries invest in public services and infrastructure in highly affected regions, and help expand refugee access to financial services. Public-private partnerships can help facilitate skills training and employment in ways that benefit both sending and receiving countries, migrants and nonmigrants alike. A common international framework can help ensure that migrant and refugee rights and protections are not location-dependent, but informed by a larger consensus about the rights of forced and voluntary migrants. This suite of enabling policies represents what we call a “win-win-win” formula, creating opportunities for migrants/refugees, host nations, and countries of origin alike to reap the gains from international migration flows.
Flipping the narrative: Potential gains from international refugee and migration flows

The current refugee system was set up under the assumption that displacement was a temporary state—after the situation in the country of origin calmed down, refugees would return home to rebuild. Yet refugees are increasingly in protracted displacement situations—the average length of displacement is now 10 to 15 years. In light of this reality, refugee response efforts have begun to shift from immediate humanitarian needs provision to longer term development, integration, and inclusion efforts. The push towards greater inclusion can be politically difficult—even the most generous host nation is wary of committing to full inclusion of refugee populations given potential domestic pushback.

While the current debate around refugee hosting has largely taken place in developed countries, it is important to remember that low and middle-income countries host 85 percent of the world’s refugees (indeed, sub-Saharan Africa alone hosts 26 percent of them). Today, 4 out of 5 refugees reside in countries that neighbor their country of origin. Developing nations are thus trying to balance their own development priorities with acute humanitarian needs. Often, the poor in these countries are hardly better off than the refugee populations themselves, which can exacerbate feelings of resentment.

Policy solutions often focus on mitigating or sharing the costs of refugee hosting. For example, under the EU-Turkey migrant deal, the EU agreed to provide Turkey with €6 billion in aid in exchange for Turkey taking on the bulk of the Syrian refugee hosting responsibilities. While hosting does come with real costs—including increased strain on infrastructure, health, and education systems—rarely are the potential gains of refugee hosting and integration discussed. Yet integrating and creating opportunities for migrants and refugees to succeed in their new countries can create positive spillover effects for refugees, host nations, and sending nations alike—a win-win-win formula for sustainable growth. First, such policies are a win for migrants and refugees, for it allows them to begin to rebuild their lives, earn better wages, and invest in their own human capital. Second, it is a win for receiving communities, which gain productive workers who contribute to the tax base, start businesses, and foster connections with diverse markets. Third, greater integration also creates wins for sending countries...
due to remittance flows, diaspora business connections, and knowledge diffusion. Eventually, some migrants and refugees may return to their countries of origin, bringing with them the skills and assets gained in their host countries during displacement.

**Occupational upgrading**

A growing body of evidence suggests that, on average, an influx of immigrants into the labor market has little to no aggregate effect on natives’ wages and employment. The extent to which migrants and refugees affect the wages of natives is a function of whether the foreigners are complements to or substitutes for native workers. If they are substitutes, we would expect to see downward pressure on native wages due to increased competition for a limited supply of jobs (at least until the capital stock is replenished), in line with the basic economic model. If migrants and refugees are complementary to the local labor force, bringing new skills and knowledge, then their presence could increase natives’ wages. Among economists, there is wide consensus that complementarity of skills is more likely among skilled workers. At the same time, there is less of a consensus on the degree of substitution between unskilled migrants and natives. While there is no definitive answer to this question, most of the evidence suggests that low-skilled immigration does have, at most, a very small, temporary negative effect on the wages and employment of unskilled native workers and previous waves of immigrants.

But recent evidence suggests that inflows of unskilled migrants into an economy could benefit unskilled native workers in the medium to long run. In particular, evidence suggests that natives often respond to an influx of unskilled migrants and refugees into the labor market by upgrading their skills and moving up the occupational ladder. A study of the sudden inflow of refugees, 40 percent of whom did not have high school degrees, to Denmark from 1991 to 2008 found that the entry of unskilled workers into the labor force resulted in upward occupational mobility for natives, away from manually intensive tasks toward more complex jobs. As a result, salaries increased without evidence of worker displacement. Low-skilled immigrants and refugees often fill labor shortages or jobs that natives are less likely to perform, such as manual labor-intensive occupations. This allows for greater task specialization, encouraging natives to shift to more skill intensive occupations with higher pay. By filling labor shortages, migrants can make both individuals and businesses more productive, stimulating economic and job growth. Migrants make up an important part of the workforce in many fundamental occupations that support high skilled workers—such as home health aides, construction workers, cooks, and truck drivers—which are projected to be among the fastest growing occupations in the United States in the next decade. Increased migrant and refugee participation in reproductive labor occupations, such as caregiving and domestic work, lowers the cost of these services, which has allowed more high skilled native women to join the labor force.

**Entrepreneurship and job creation**

Migrants contribute to the local economy not only as laborers, but as business owners and entrepreneurs. Migrants engage in entrepreneurship at much higher rates than natives; in the United States, for example, migrants make up 15 percent of the population yet represent 25 percent of entrepreneurs. This is not all that surprising,
Box 1: Venezuelan refugees will likely boost Colombian GDP due to skill complementarity

The October 2019 IMF Regional Economic Outlook estimates that Venezuelan migration will increase GDP growth in host nations due to the increased size and skill of the labor force. Venezuelan migrants are typically highly educated and skilled, which increases the chance of skill complementarity. Our own research supports this claim: using a sample of non-regularized Venezuelans who registered in a voluntary census during 2018, we find that 83 percent of working age Venezuelan migrants/refugees have at least secondary education, compared with 66 percent of the Colombian labor force. Taking into account migrant age and skill level, and accounting for the fact that most migrants take low skilled jobs in the informal sector, the IMF estimates that Colombia’s GDP will grow by 0.3 percentage points between 2017 and 2030 due to Venezuelan immigration. These gains could be larger if enabling policies allow migrants to pursue employment opportunities in line with their educational level.

Figure 2: Colombian and Venezuelan migrant workforce educational attainment
as migration may preselect individuals with more entrepreneurial tendencies. The act of moving to a new country, even when relocation is forced, as in the case of refugees, involves great risk. Migrants and refugees may be able to parlay this risk-taking behavior into the business sphere by starting new ventures, an inherently risky undertaking. In Turkey, for example, Syrian refugees started 6,033 formal companies between 2011 and 2017; in 2016, they accounted for 39 percent of new foreign owned firms. When migrants create new businesses, they also create jobs, becoming employers in their communities. Remember that it is small firms that are the engines of job growth (in the United States, for example, small firms account for two-thirds of new job creation each year). Migrants and refugees may also expand consumer demand for certain goods and services, which could lead to increased demand for labor, and hence job creation, in these sectors.

**Trade, investment, and remittance Flows**

Migrants and refugees can also play a fundamental role in fostering international trade and investment. Since migrants and refugees have knowledge of the business environment in both sending and receiving countries, they can act as mediators between businesspeople in both places, lowering transaction costs. This fact is exemplified by the crucial role that Vietnamese refugees played in establishing trade and investment networks between the United States and Vietnam. U.S. states that randomly received more Vietnamese refugees in the 1970s are larger exporters of goods and services to Vietnam today than states who received fewer refugees. These diaspora connections greatly benefit countries of origin as well. For example, Taiwanese immigrants working in the U.S. tech sector were able to partner with venture capital firms to spur entrepreneurial development in their home country. Due to their knowledge of the Taiwanese economy, firm history, and government regulations, these high skilled immigrants helped venture capitalists invest in local firms with the most promise. For developing countries overcoming conflict in particular, this flow of investment could be a key enabler of economic recovery.

Perhaps the most important way sending countries benefit from outmigration is through remittance flows. Remittances—money that migrants send back home to friends and family—can act as a powerful poverty reduction device, allowing those left behind to share in the economic benefits of increased labor productivity and significantly increase their consumption. Remittances are no longer a trivial part of global financing flows; remittances to low- and middle-income countries reached $529 billion in 2018, and are projected to surpass foreign direct investment in 2019. This will likely be an increasingly powerful force for growth in the future.

**Knowledge diffusion**

In addition to financial flows, migrants and refugees can play a significant role in transferring technologies and knowledge across borders. This knowledge diffusion works both ways—migrants and refugees can bring new ideas and products from their countries of origin to their new countries, or they can share new technology and innovation learned abroad with their home countries. This two-way transfer contributes to more competitive and diversified economies in both places. An illustrative example
of this phenomenon is Franschoek Valley, South Africa. Today, Franschoek is known for its high-quality wineries, which produce a significant share of all South African wine exports. The town was founded by French Huguenot refugees, who settled there in the seventeenth century after being expelled from France. These refugees brought their knowledge of French winemaking with them, and used it to turn the valley into the first class wine exporter that it is today, competing in global markets with wineries from all over the world. Consistent with this finding, our ongoing research shows that the nations that emerged from the former Yugoslavia benefited enormously from the knowledge and experiences gained by Bosnian, Croatian, and Serbian refugees who were temporarily resettled in Germany during the 1990s. These countries have experienced high export growth in sectors where more refugees were employed during displacement, specifically knowledge-intensive sectors where workers gained analytical and managerial skills. This is consistent with growing evidence about the importance of management in increasing firm-level productivity in developing countries.
Creating an enabling environment: Policy measures to maximize gains and mitigate costs of refugee integration

While there are real fiscal and political costs associated with greater refugee and migrant integration, there are also enormous gains to be had for sending and receiving countries alike. But failure to integrate—whether due to explicit barriers to health, education, employment, and documentation services, or implicit barriers such as discrimination and xenophobia—limits the realization of these economic gains. Migration is a fact of life, unlikely to decrease in coming years. It is thus in the interest of the international community to find ways to help refugees and migrants integrate into their local economy and community, in order to take advantage of the economic gains that come with international migration flows and ensure that refugees and migrants have the tools they need to live with agency and dignity.

In order to realize these gains, public policy measures are required to deal with regulation or market failures that hinder the successful integration of refugee and migrant workers. In the section that follows, we highlight a series of steps host countries, the private sector, and the international community can take to maximize the gains and mitigate the costs of international refugee and migration flows.

Host countries

Formal labor market access

First, at the risk of stating the obvious, refugees and migrants must be granted formal rights to stay and access labor market opportunities in their host countries in order to reap the economic gains discussed above. Formal labor market access allows refugees and migrants to be employed, create businesses, and employ other workers, without fear of retribution for working illegally in the informal economy. Formalization also gives refugees and migrants a sense of stability, allowing them to invest in themselves and in their receiving communities. Research shows that the faster refugees are able to integrate into the economy and access labor market opportunities, the more successful they will be in the long run.45
A key first step in this effort is streamlining access and lowering entrance barriers to formal work authorization. Ideally, all refugees would be granted formal labor market access without the need for a permit, as permitting systems can deter the most vulnerable—especially those who lack formal documentation—from applying. When a permit system is in place, however, work access should not be tied to a specific employer, which can lead to exploitation. Additionally, permits should be free, as associated costs are either the responsibility of the employer, which can limit incentives to hire refugees, or borne by the refugees themselves, which can be cost-prohibitive. These issues are important not only for refugees, but for migrants as well. Many low-skilled migrant workers find overseas employment through recruitment firms, which often charge exorbitant rates, paid back by migrants as a share of their yearly income. In addition, visas may be tied to specific employers, leaving migrants, especially women, at greater risk of exploitation, harassment, and even human trafficking. Granting migrants and refugees formal labor market access offers them a form of workplace protection, giving them greater bargaining power they can use to advocate for better salaries and working conditions.

However, it is important to note that granting formal labor market access to refugees and migrants may have less of an impact in places with a large informal labor market. Refugees and migrants already have access to these informal employment opportunities, so formal sector access will not lead to widespread labor market adjustments. There is a greater risk
of refugee/migrant and native substitutability when workers are concentrated in and competing for low skilled jobs in the informal market. Additionally, a large informal sector limits the impact that formalization would have on the direct expansion of the tax base, as refugee and migrant businesses will likely stay in the informal sector. Despite these caveats, granting formal access can still yield economy-wide benefits. Even if only a few migrants and refugees are able to find formal employment opportunities, formalization can still potentially improve working conditions in the informal sector, since migrants now have the option to seek work elsewhere if abuses occur.51

Freedom of movement

In addition to formal labor market access, successful integration is contingent upon refugees and migrants having the right to freedom of movement. While most refugees live in urban and semi-urban areas among host communities, 40 percent remain in camps, which limits their interactions with the broader economy.52 Employment opportunities are scarce in the informal camp economy, which can reduce the incentive to invest in education and skills development.53 This limited economic integration hurts not only refugees, but natives as well: as consumers, refugees only buy from refugee-owned camp businesses, and as employers, they only hire refugee workers.54 In order to realize the full gains of economic integration, refugees should be allowed to move and work outside of camp boundaries.

Even outside of camp settings, refugee freedom of movement may be limited. Both Turkey and Switzerland implemented internal redistribution schemes in recent years, assigning refugees to a subnational region to relieve pressure on border areas.55 Refugees only have access to public services in their assigned city, and lose access to benefits if they leave without permission. While this has mitigated some of the negative effects of increased public service demand, there are often few employment prospects and a lack of affordable housing in assigned cities. This forces many refugees to choose between moving to a larger city with better work opportunities and losing access to health and education services.56 Placebased entitlements disincentivize refugees from responding to regional variation in economic opportunities, which prolongs their dependence on public assistance programs. Giving refugees the right to freedom of movement, and delinking assistance from place of residence, increases the likelihood of integration into the formal economy, which could expand opportunities for refugees and natives alike.

Active labor market programs to improve matching

In order to facilitate economic integration and employment, many development actors have invested in livelihood and job training programs for refugees. However, a review of existing program evaluations suggests that refugee livelihood initiatives have largely failed.57 Most programs have focused on supply-side interventions, without paying much attention to market demand. For example, female refugees in Uganda received NGO support to start handicraft enterprises, but most had a difficult time sustaining the business due to limited demand for such nonessential goods.58 Demand-side programming has been dominated by cash-for-work programs, largely criticized for disrupting local labor markets. In acknowledgment of this failure, both the multilateral and NGO community have refocused their attention on market systems development, looking at market demand and
Box 2: Switzerland pilots machine learning program to optimize refugee employment outcomes

Working with researchers at Immigration Policy Lab, Switzerland is piloting a new data-driven algorithm to assign refugees to the sub-national region where they have the best chance of finding a job. The algorithm uses historical data on refugee placement, employment outcomes, age, country of origin, and gender to calculate the probability of employment in each region. It then assigns the refugee to the location that best fits their profile. The program continuously learns and adjusts based on the success or failure of new arrivals and changing labor market conditions. Under Switzerland’s current random assignment scheme, only 15 percent of new refugee arrivals in 2013 found jobs within three years. Initial tests suggest that employment rates could have reached 26 percent if refugees had been assigned by algorithm. The pilot program will follow a control group and an algorithm assigned group of asylum seekers for 2-3 years, comparing their employment outcomes to gauge program efficacy and scalability.

Supply chain networks to see what sectors might be best suited for refugee firm entry.59 Thus far, these efforts have been fairly small-scale, but represent promising areas for further study and investment.

Additionally, programs that help refugees verify skills, degrees, or certifications earned in their countries of origin can improve labor market integration and matching. A lack of credential recognition may act as a formal or informal barrier to employment. Due to country specific regulations, a foreign license may not be seen as equivalent to a domestic license. Foreign credentials may also be implicitly viewed as less rigorous due to a lack of information on the part of the employer. In order to address this constraint, most OECD countries have a formal process for foreign skill/degree assessment and recognition for migrants.60 Immigrants that receive recognition are more likely to be employed in higher paying jobs, as opposed to menial jobs for which they are overqualified. However, few immigrants take advantage of this service: only 38 percent of migrants with tertiary education applied for degree recognition in 2017.61 Efforts to streamline bureaucratic hurdles and recognize nonformal and on-the-job learning might enhance service usefulness. Similar recognition systems are being adapted to verify refugee skills and education. World Education Services, for example, piloted a qualification assessment for Syrian refugees in Canada to help reconstruct their academic histories and offer equivalent credentials when documentation was missing.62 The EU likewise is developing a “qualifications passport” to assess refugee higher education credentials.63 Both Denmark and Finland have used skills assessments as a means of assigning resettlement locations, placing refugees in cities with business opportunities that match their skill sets.64 While further study is needed to assess the long-term impact of these interventions and their scalability, verification systems could help refugees and migrants signal their value.
add to potential employers or investors, indicating they have the training and experience necessary to succeed.

**Voluntary relocation to reduce pressure on local infrastructure**

When refugees and migrants enter a new country, they tend to cluster around ports of entry, large cities, and areas with preexisting migrant communities. This concentration can exacerbate the risk of short-term negative labor market outcomes for natives, due to increased competition over scarce jobs and additional, rapid-onset demand for limited public goods such as infrastructure and services. Voluntary relocation could help relieve short-term pressure on local infrastructure caused by sudden refugee and migrant inflows, improving outcomes for newcomers and natives alike.

In fact, a study looking at the effectiveness of integration policies for refugees in Germany following World War II found that low mobility likely hindered refugee labor market success. Since migrants and refugees tend to be more mobile due to fewer locational ties than natives, voluntary relocation is a feasible policy solution to alleviate some of the strain on frontline areas. As a result, some scholars have suggested implementing an incentive-based system to promote voluntary internal relocation to places with lower migrant density, where more opportunities could exist.

Many have argued for some form of tradeable cross-country refugee quotas that resemble carbon taxing schemes, based on ideas grounded in mechanism design theory. Under such a proposal, an international organization such as UNHCR would allocate refugee resettlement quotas by country, based on an agreed upon set of criteria such as population and market size. Countries would then be allowed to trade quotas on an open marketplace. Such a system could also take refugee and country preferences into account, allowing refugees to rank potential destination locations and countries to prioritize specific refugee demographic profiles (for example, giving preference to women and children).

This scheme could also be adapted to a national level to help encourage dispersion of newcomers across subnational boundaries, based on criteria such as employment opportunities, school capacity, and housing affordability. A few countries are now experimenting with some form of algorithmic matching to allocate refugees to the city where they have the best chance of integrating and finding work (see Box 2). Such programs use historical data on refugee resettlement outcomes to estimate the likelihood that a refugee will find work in a given location based on their demographic profile.

Given that refugees were forcibly displaced from their home countries, any such relocation scheme must be voluntary in nature, but could include some form of incentive payment to encourage and subsidize relocation. Since many refugees have often lost most of their assets and savings during displacement, even a modest payment could make a large difference in an individual or family’s decision to move. Evidence on how to properly design such incentives, though, is still thin. In Bangladesh, Evidence Action provided travel subsidies for seasonal migration to poor rural households in order to increase household consumption and income. Yet a randomized evaluation found that the program had no impact on migration, consumption, or household income.
Private sector

Committing to hiring and integrating refugees into supply chains

There is a key role for the private sector in enabling successful refugee and migrant integration. Both local and international firms can commit to hiring refugee employees and integrating refugee-owned businesses into their supply chains. While local employers are constrained by refugee right to work laws, large multi-national firms can help push host governments towards greater refugee employment access by tying expansion efforts to better refugee policies and practices. These efforts can benefit both refugee and host communities. For example, the Swedish furniture company IKEA has committed to hiring Jordanian and refugee women to make handwoven rugs and textiles at its production center in Jordan. In addition, they have pledged to employ 200 refugee and local artisans and sell their products at stores worldwide.

Engaging refugees and migrants as customers

Another way private firms can support refugee and migrant integration is to engage them as a core customer base, and where needed, adapt products and services to meet their needs. In the U.S., Sparrow Mobile has worked with local resettlement agencies to provide smartphones to new arrivals, complete with tailored apps that help refugees connect with translation, employment, and social services in their communities. While many firms are currently engaging in such efforts as part of their philanthropic wing, these initiatives could serve to create brand loyalty among new immigrants down the line. Outside of the U.S., refugee communities in developing countries represent a largely untapped consumer market with much growth potential. A 2018 International Finance Corporation report estimated that the Kakuma refugee camp in Kenya represents a $56 million a year economy, between household consumption and 2,100 refugee-owned businesses. Companies that invest in service and product expansion in these communities have the opportunity to not only reach new customers, but also spur economic growth in under-invested in communities.

Investing in local businesses as well as refugee entrepreneurs

In order to facilitate the integration in labor markets, business owners must have access to capital. Yet access to capital is often constrained in many host countries. Expanding access to credit through national or international funds is crucial, as credit allows host communities to invest in needed infrastructure and local business, enabling them to benefit from migration inflows.

In turn, refugees and migrants should also have access to formal banking. In many cases, refugees and migrants may be restricted from opening a bank account or applying for a loan, due to outright legal discrimination or lack of documentation. Where permissions do exist, they still may lack access to adequate financing because they appear to be a riskier investment, or they lack the necessary collateral or credit history to obtain a loan. Indeed, refugee business owners in Turkey and South Africa reported that limited access to startup capital was a major impediment to firm growth. There is a clear role for public-private partnerships here. For example, private sector actors can support refugee and migrant entrepreneurs by providing startup capital, incubating new ventures, and facilitating market connections.
Generali, the third largest insurance company in the world, is now running a six-month incubation program for refugee entrepreneurs in France and Germany, where they provide entrepreneurs with training, business plan support, and initial seed funding to help them start their ventures. They have committed to helping 500 refugees set up new businesses by 2020.

Funds, originating either from foreign aid or private sources, could be delivered through formal financial entities to expand financial inclusion and encourage local service usage. Local governments and development actors could provide risk guarantees to national banks that give loans to refugee and migrant entrepreneurs (see Box 3). Over 100 countries have some form of partial credit guarantees for small and medium-size enterprises, which could be expanded to include refugee entrepreneurs.

Box 3: Expanding access to financial services for refugees in Uganda

UNHCR, the Swedish government, and the Grameen Foundation are currently working to establish a risk guarantee facility for financial service providers who grant loans to refugees and vulnerable host populations. Initial four-year pilots are underway in Jordan and Uganda. They began by carrying out a market assessment and needs analysis in each country to assess barriers to financial inclusion. In Uganda, the legal and regulatory environment is largely supportive of refugees—they are able to start businesses and open bank accounts (Microfinanza 2018). However, since many live in rural refugee camps, proximity to existing financial service providers is an obstacle. Banks cite operational costs and risk management as barriers to service extension. Thus, UNHCR/Sweden will set up a risk sharing mechanism: they will support savings initiatives and financial literacy courses that provide local financial service providers with information to assess refugee credit worthiness. In addition, they will provide start-up capital to cover the initial operational costs of expanding physical or mobile service provision to refugee communities.

Forming skills before migration occurs

While skilled migration can increase the risk of a “brain drain” in developing countries, public-private partnerships can help link skill formation and skilled migration in a way that is mutually beneficial for both sending and receiving countries. Under a bilateral Global Skill Partnership (coined by Clemens 2015), workers in a skilled profession such as nursing would be trained in their country of origin, where the cost of training is much lower. A private employer in a destination country would pay for training for migrants, and subsidize the cost for nonmigrants. Some of the trainees would then immigrate to the destination country and work for the employer, paying off the cost of the training for themselves and their host country counterparts with a portion of their wages. The destination country gains the skilled workers they need at a fraction of the cost. The migrant makes much higher wages than they would have at home, well offsetting the cost of the training. The origin country gains skilled, qualified nurses at little cost,
who help strengthen the national healthcare system, creating spillover benefits for the whole population. Such programs also create incentives for human capital accumulation in the sending country, offering the potential for future migration and higher wages to those who accumulate the necessary skills.

Such innovative policies do require initial cooperation and investment, but can quickly become profitable and self-sustaining, helping both sending and receiving countries experience the gains (and mitigate the risks) of international migration (see Box 4). While such partnerships are a more natural fit for regularized migration flows between a stable developing and developed country, there might be ways to expand these arrangements to include asylum seekers and refugees. Perhaps as a component of a larger cross-country refugee relocation scheme, private sector partners who are interested in hiring refugees could fund training programs in borderline hosting countries for refugees and natives, with an agreement to sponsor relocation and employment for a set number of refugees in a third country. Such a partnership would reward borderline countries for hosting refugees by subsidizing training for natives, while also relieving some of the long-term integration challenges through resettlement sponsorship.

Box 4: Lessons learned – How to operationalize a global skill partnership

Bilateral skills partnerships have been tried many times in the past with mixed results (see Clemens 2015 for a thorough review). However, this past record highlights key design features that are critical to success.

1. Employers need to be involved in program design to ensure training matches the skills needed for on-the-job success.

2. Programs should recognize migrants’ past training and employment experiences. In a partnership between Finland and the Philippines, for example, applicants with a nursing degree from a Filipino university only need to complete one additional year of training in Finland, rather than two.

3. Though a variety of funding arrangements exist, none should place an undue burden on the migrants themselves. A German-Tunisian program, for example, failed because while the employers covered the costs of the training, students had to take out loans to cover room and board once they reached Germany.

4. Partnerships should be context specific, designed with input from sending and receiving countries. Such arrangements only work if they expand the supply of skilled workers in sending countries. In some small island countries, skills partnerships could create labor shortages at home if the majority of skilled workers chose to migrate.
International community

Investing in host communities

Additional public investment in infrastructure and public services can help mitigate the costs associated with rapid population inflows. International support is critical in this effort, particularly in countries with limited fiscal capacity. These investments would benefit both refugees/migrants and natives in the long run. Yet there is a major gap in the development financing architecture to respond to these needs.81

The World Bank established a $2 billion lending fund in 2017 to help low- and middle-income refugee hosting countries invest in projects that support both host communities and refugees, such as basic services, infrastructure, and livelihoods initiatives.82 But this fund is likely inadequate for the scale of financing needed to respond to long-term, structural changes in host communities. In response, host nations have taken matters into their own hands. The Jordanian government requires that 30 percent of all donor funds go toward projects that benefit vulnerable Jordanian populations.83 The Colombian government recently announced a $230 million credit line for infrastructure, public service, and capital investments in highly affected refugee hosting regions.84 Failing to invest in host nations is shortsighted, for without support, the very conflicts they are sheltering refugees from may spill over into their own borders. Furthermore, without investing in the native population alongside the refugee community, social tensions between natives and refugees may spark domestic unrest, instability, and potential violence.

It is important to note that official development assistance is not the only means of mobilizing additional financing for hosting regions. Interesting new work around diaspora bonds suggests that there may be innovative ways to harness diaspora networks and existing remittance flows to fund future entrepreneurship and development opportunities.85 Reducing remittance fees—the cost of sending money home, measured as a percent of the amount transmitted—is a key piece of this puzzle. If remittance fees fell from their current level of 7 percent to the international target of 3 percent, an additional $23 billion would have reached low- and middle-income countries in 2018.86 This is a core policy area for the international community to address.

Achieving appropriate levels of funding for all crises

Funding for refugee crises is not based solely on the needs of host countries; it is also a product of the political will of the international community. This leaves under-covered crises without the necessary resources to support immediate humanitarian needs, let alone long-term recovery and inclusion efforts. For instance, the Venezuelan displacement crisis has now reached the scale of the Syrian crisis—four years into the conflict, 4.6 million Venezuelans are displaced, compared with 4.8 million Syrians at the four-year mark (see Figure 3). Yet the scale of funding in Venezuela has not kept pace with similar emergencies. International funding for the Syrian refugee crisis had reached $7.4 billion by 2015, four years into the conflict. To date, the Venezuela response has received $580 million (see Figure 4). While not downplaying the scale of need in the Syrian response, the international community must find new ways of mobilizing funding for neglected crises to
**Figure 3: Total Refugee displacement from start of conflict to peak displacement**

Number of people (millions)

Source: in Bahar and Dooley (2019); data from UNHCR Population Statistics; R4V (Venezuela figures)

**Figure 4: Cumulative funding since start of conflict**

Billions of USD (constant 2015 USD)

Source: Bahar and Dooley (2019); data from OCHA Financial Tracking Service; UNHCR South Sudan RRP reports; UNHCR and IOM (2020 Venezuela funding request)
support the host communities taking on the bulk of the financial and service provision duties.

**Shared global agenda**

Encouragingly, the international community has achieved some progress in pushing for a shared global agenda around refugees and migrants. The Global Compacts on Migration (GCM) and Refugees (GCR) are an attempt by UN member states to present a coordinated response to the current migratory crises, pushing for a safe and regularized process for migrants and refugees while also upholding state sovereignty. The GCR acknowledges that developing nations have borne the brunt of the refugee crisis, and thus developed nations must share in the financial burden to alleviate pressure. The GCR also acknowledges that natural disasters and climate change interact with and compound other drivers of displacement, an important step forward in beginning to expand the conversation around who is included under international protection schemes. Additionally, the GCM affirms that as a core component of any immigration reform effort, the international community must help developing countries address the conditions that cause migrants to leave in the first place. The compacts create a structure for information sharing between host nations and migrants/refugees, establishing a more transparent system where people are able to make informed choices about movement ex ante. The GCM and GCR represent a key step forward in reframing the global narrative around forced and voluntary migration.
Conclusion

The increasingly protracted nature of displacement, the growing frequency of natural disasters exacerbated by climate change, and the concentration of poverty in fragile and conflict-affected states suggests that international migration—both forced, voluntary, and in-between—is here to stay. Thus, the time is ripe for international dialogue around refugees to move beyond short-term basic needs provision towards long-term economic integration efforts. Greater inclusion is politically challenging; thus, the international community has a core role to play in helping host nations cope with the bulk of the hosting duties while also pushing for a more equitable allocation of hosting responsibilities globally.

In this effort, it is important to highlight not only the real economic and political costs of greater refugee integration, but also the potential gains to be had from greater global migration. Refugees represent an underutilized pool of entrepreneurs and job creators in their communities, who bring with them knowledge, trade connections, and new investment opportunities. In order to realize these gains though, host nations, the private sector, and the international community alike must do their part to incentivize and create opportunities for greater refugee and migrant integration. Discussing both the costs and benefits in tandem can help countries adequately respond to, support, and integrate refugee communities, while also allowing host nations to more forcefully advocate for additional international support in these efforts.

Naturally, as with any other change that affects the economy, integrating refugees and migrants into the labor force might result in some people being worse off in the short-term, even when the aggregate gains are positive. But that speaks to the need for investment in social safety nets and robust retaining programs to protect workers who might be substitutes for migrants, as opposed to rejecting refugees and migrants outright. The global dialogue around migrants and refugees has become clouded in recent years, but it is important to remember that global migration is not a new phenomenon. Though there could be some short-term adjustment costs, overall refugees and migrants represent untapped potential: if properly integrated into their local community and the global economy and given the right protections and support, refugees can be an important asset—not a burden—for both sending and receiving countries.
References


Endnotes

1. UNHCR (2019a).
6. UNHCR (2019c).
7. Siegfried (2016).
12. UNHCR (2016).
15. Wirth and others (2014); IOM (2013).
16. IHRD and NRC (2016).
17. IHRD and NRC (2016).
20. UNHCR (2018a); UNHCR (2019d).
25. See Docquier and Rapoport (2007) for a review of this literature.
26. See Clemens and Hunt (2019) for a review of this literature.
29. Clemens and others (2018); Clemens (2013).
32. Peri (2013); Furtado and Hock (2010).
34. Borjas (1987); Zucker and Darby (2007); Hoenig and others (2010).
35. Ucak and others (2017).
40. Saxenian and Sabel (2009).
41. KNOMAD (2019).
42. Bahar and Rapoport (2018).
44. Bloom and others (2010); Bloom and Reenen (2010); Bender and others (2018).
45. Marbach and others (2017); Bakker and others (2014).
46. Clemens and others (2018).
47. Buffoni and others (2017); MMC (2017).
49. IOM (2013).
51. Clemens and others (2018).
52. UNHCR (2019b).
53. Clemens and others (2018); Alix-Garcia and others (2017).
54. Betts and others (2018); Clemens and others (2018).
55. UNHCR (n.d.); Gesley (2016).
56. Kirisci (2017); Leghtas and Hollingsworth (2017).
59. UNHCR and ILO (2018); EMMA (2019).
60. OECD (2017).
Refugees as assets not burdens: The role of policy

63 Council of Europe (2018).
64 Danish Ministry of Education (2019); Finland Government Communications Department (2015).
65 Falck and others (2012).
67 Jones and Teytelboym (2017); Andersson and others (2018); van Basshuysen (2017).
68 Bansak and others (2018); Stanford University (2018); Calamur (2019).
69 Bahl (2019).
70 Fairs (2017).
71 Tent Foundation (2019).
72 RefugeeMobile. (2019).
74 Pistelli (2017).
75 OECD (2011); Blanchflower (2009); Albareto and Mistrulli (2011).
76 Ucak and others (2017); Crush and others (2017).
78 El-Zoghbi and others (2017).
79 Chehade and others (2017).
80 Douette and others (2012).
81 Charles and others (2018).
82 World Bank (2018a).
83 3RP (2019).
84 Agencia EFE (2019).
86 KNOMAD (2019).
87 UN (2018a).
88 UN (2018b).
89 Bahar (2019).