

The labor market integration of refugees is key to their nation's reconstruction efforts

● Dany Bahar, *Brown University, United States*

on Global benefits of improving refugee reception and integration policies

Forced displacement and refugee migration are at an all-time peak. UNCHR, the UN Refugee Agency, estimates that global forced displacement has reached more than 100 million people by mid-2022, including 32.5 million refugees and 5 million asylum seekers. Since then, the Russian invasion of Ukraine has caused the largest displacement of people in Europe since World War II. Over 8 million refugees from Ukraine resettled across Europe, and 5 million registered for temporary protection or similar national protection schemes, granting them free access to the labor market. Luxembourg is no exception to the rule. Since the early 2000s, it has been one of the OECD countries that receives the highest number of asylum seekers relative to its population (about 3,500 asylum applications per million inhabitants). Asylum seekers originate from Syria, Eritrea, Afghanistan, Venezuela, Guinea, Ethiopia, among others. In addition, in 2022, around 5 thousand Ukrainian citizens filed applications for temporary protection with the Ministry of Foreign Affairs.

Refugees in general, and Ukrainians in particular, can contribute tremendously to the countries that welcome them, but this requires implementing

the right policies. To achieve this, it is important to rely on evidence-based policies, avoid being misled by misperceptions, as well as to learn from the experiences of other countries. Only then can the challenge be transformed into an opportunity. This policy brief outlines some policy ideas on labor market integration for refugees and explains why this is not only a win-win situation for the migrants and the host countries, but is also a key policy for the post-conflict reconstruction of their home nation.

The case for long-term access to labor markets

In many cases, the conventional wisdom dictates that refugees will go back to their home countries *sooner rather than later*. Accordingly, Europe has established a one-year residency permit for Ukrainians, renewable for up to three years in total. While it is certainly the hope that Ukrainians will be able to return home sooner rather than later, the reality is that in many cases, refugees tend to settle outside their home countries for long periods, if not their entire lives. Syrian refugees



Dany Bahar is Associate Professor of Practice of International and Public Affairs at Brown University's Watson Institute. He is also affiliated with the Growth Lab at Harvard Center for International Development, the Brookings Institution, the Center for Global Development, CESifo, and IZA. His research sits at the intersection of migration economics, trade, and economic development. Dany has made important contributions to research on the diffusion of technology and knowledge within and across borders, as well as the role of migrants and refugees as drivers of this process.

Contact:
dany_bahar@brown.edu

started fleeing in 2011, and over ten years later, they still constitute one of the largest refugee groups on earth. Similarly, the number of Venezuelan refugees, who started fleeing their country in masses in 2014, continues to rise.

Employment restrictions or the temporary nature of visas could prevent refugees from properly participating in the economy, undermining their full potential. A clear example is the case of Venezuelans in Colombia. The Colombian Government aimed to design an appropriate policy from the beginning of the flow by granting Venezuelans the *Special Stay Permit* (or PEP its acronym in Spanish), a special visa allowing them full access to the labor market and public services (e.g., health and education). However, the PEP was notorious for its short duration of only 2 years (though, de facto, renewable) making it challenging for Venezuelans to secure jobs. Employers often did not know about the permit, and even if they did, in many cases the 2-year horizon was too short for firms to hire an employee. Since then, Colombia has learned from this experience and is now implementing a 10-year protection status for all Venezuelans in the country, which will replace the PEP and provide greater stability and opportunities for refugees to integrate in the labor market.

Another extreme example, one of not issuing visas at all, is the case of Syrians in Turkey. Syrians started to arrive there in 2011 and the policy was to restrict their right to work. This decision was perhaps driven by the belief that Syrians would soon leave, alongside the misperception that their entry in the labor market could harm natives' employment. A few years later, in 2016 –when it was clear that Syrians were not going back anytime soon, the Turkish government started issuing work permits to its Syrian refugee population. During all those years,

the millions of Syrians living in Turkey had no choice but work in the informal sector or do not work altogether.

To best integrate refugees, it is crucial to provide them immediate and long-term access to the labor market and help them find the right jobs

To facilitate the successful labor market integration of refugees, it is crucial to have policies that provide them immediate and long-term access to the labor market with full freedom of movement. Similarly, having the right to work does not imply that finding a job is easy, let alone finding the “right” job. Refugees face major challenges, including unfamiliarity with the new country, limited knowledge of the language, and lack of personal and professional networks to navigate the job search and find a job that matches their skills and preferences. To ease refugees' integration process, it is important to implement policies that help them find the right jobs and thus get the most out of their integration (Bahar and Dooley, 2020).

Integrating refugees is a key policy for the reconstruction of their home country

While integrating refugees, European countries could also significantly contribute to the post-conflict reconstruction of their home country by fostering the spread of ideas,

knowledge, and technology through refugees themselves, both upon their return or through diaspora networks. By transferring knowhow, refugees can lead to higher productivity among firms and, also, foster the creation of new firms in the origin countries. This knowhow includes management expertise, best practices and productivity-enhancing techniques, and ideas.

There is ample empirical evidence on this transfer of knowhow across borders. For example, Bahar and Rapoport (2018) show that the emergence of specific export sectors is more likely with emigrants living in countries where that same sector is competitive.

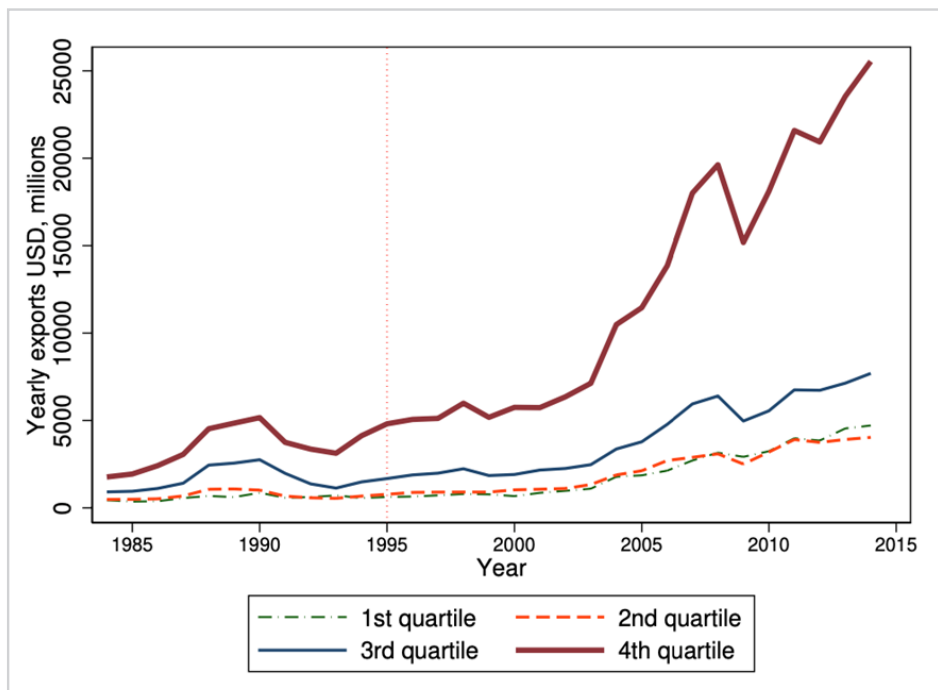
Similarly, Bahar et al. (2022) find that ex-Yugoslavian migrants and refugees, following a short stay in Germany during the Balkan wars of the early 1990s, positively affected the performance of export sectors in ex-Yugoslavia for which they had worked while in Germany by increasing their productivity. Figure 1 illustrates the core findings of the econometric analysis by showing the

evolution of export of sectors by all ex-Yugoslavian countries (combined) to the rest of the world, divided in four groups, in terms of number of returnees who worked in those same sectors while in Germany. The type of industries where most ex-Yugoslavian workers used to work while in Germany (e.g., the 4th quartile) start exporting significantly more after 1995, when those people began returning to their home countries.

Refugees can transfer ideas and technology to their home countries, hence contributing to post-conflict reconstruction and the development of certain sectors

Figure 1: Export values by treatment intensity

Notes: The figure shows the value of exports from ex-Yugoslavia (in millions of USD) split by groups of industries according to the presence ex-Yugoslavian migrants and refugees in those specific sectors while in Germany during 1990-1994.



The study further shows that this effect is driven by migrants who were more apt to transfer know-how, such as those in occupations that are intensive in analytical and cognitive tasks (as opposed to manual ones), having worked in top paying firms, or having experienced fast wage growth while abroad, among other characteristics. Thus, not only integration, but *successful* integration is crucial for this process of knowledge transfer. Refugees not only need to work, but also to grow within their jobs and experience occupational mobility, which goes hand in hand with on-the-job learning. To achieve this, a longer time horizon for workers is crucial to assure that firms will invest in their skills.

Overall, a small number of returnees, just 20 thousand, can explain about 6 percent of all exports growth of former Yugoslavian countries between 1995 and 2005. The idea that a small number of workers can have such an important effect on exports of a whole industry in such little time might seem implausible at first, but some anecdotal evidence documented by other research seems to strongly support this idea. For instance, Rhee and Belot (1990) and Easterly (2002), document the story of the success of the garment sector in Bangladesh. Between 1980 and 1986, the share of garments in Bangladesh's total exports rose from 0.5 to 28.3 percent. The unprecedented take-off of the garment export sector is often attributed to 130 Bangladeshi workers—only four of them in management positions—who spent eight months in 1979 working and being trained in Korea as part of an agreement between their company, Dosh of Bangladesh, and the Korean firm Daewoo. The knowhow acquired by these workers seems to have been crucial in making Dosh a highly successful exporter firm. Yet, perhaps more importantly, such knowhow eventually spilled over as workers moved to other firms or

created new ones, contributing to the massive success of garment exports as one of Bangladesh's most significant export sectors.

A small number of returnees is sufficient to generate significant economic gains at origin

Concluding remarks

The most important policy that countries receiving refugees could implement is, beyond receiving them, to offer them all what is needed for a successful integration in the labor market. This means offering them a migratory status, allowing them full access to labor markets in every industry, full mobility across the country, and a long-term visa status.

In the current context, if the international community is really committed to helping Ukraine and thus assist the massive post-conflict reconstruction efforts that are yet to come, giving Ukrainian refugees agency to reach their full potential wherever they are—and design the policies without assuming on their behalf that they will want to “go back soon”—is the right approach. This can be a key component not only for the benefit of the refugees themselves but also contribute to a sustainable economic recovery, potentially triggering a structural transformation process.

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