

# The Economic Impact of Refugee Inflows

INTL 182: 21<sup>st</sup> Century Worldwide Refugee Crisis

29 February, 2016

Sukanya Basu

Department of Economics, Vassar College

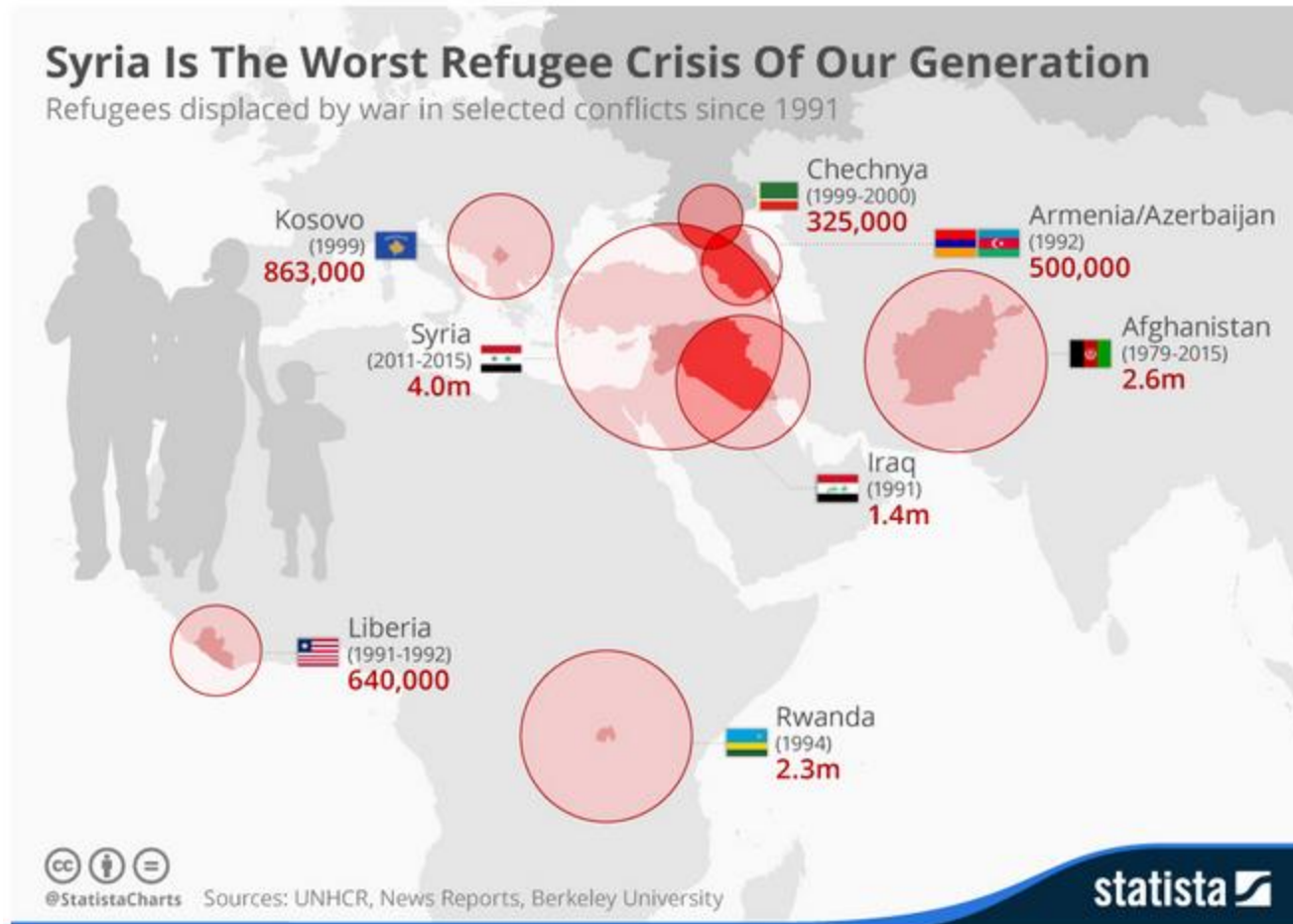
# How is a refugee different from other immigrants?

Immigrant	Refugee
Given the options between home country and destination, the person makes a conscious choice to move because it is the “best option”.	A person “fleeing” war or persecution in the home country – and the decision to relocate may be “forced”. Refugee status is often a “legal” status.
Move is “planned” → the individual can decide (in their best interests) which family members, what possessions to take with them.	Move is “unplanned” → entire family moves (if possible) with belongings they can afford to take.
Return migration, back to home country, is possible.	Return migration is not possible, unless home country situation improves. Assimilation in the host country is more important.

# Implications of refugee inflows for the host country

Positive	Negative
<p>A large inflow of people, who are invested in assimilating in the host country, provides a body of “dedicated labor force”.</p>	<p>If the economy cannot accommodate new “workers”, either native workers will lose their jobs or the new workers will remain unemployed.</p>
<p>The new inflow of people may have characteristics that are in shortage in the native population.</p>	<p>The movers have characteristics that substitute, rather than complement, native characteristics. Native wages can fall.</p>
<p>Increase the diversity of the country. More goods and services available to consumers.</p>	<p>Depending on the refugee groups, social problems may increase. Cost of providing “social services” – health, education etc. – might increase.</p>

# The Current Syrian Refugee Crisis

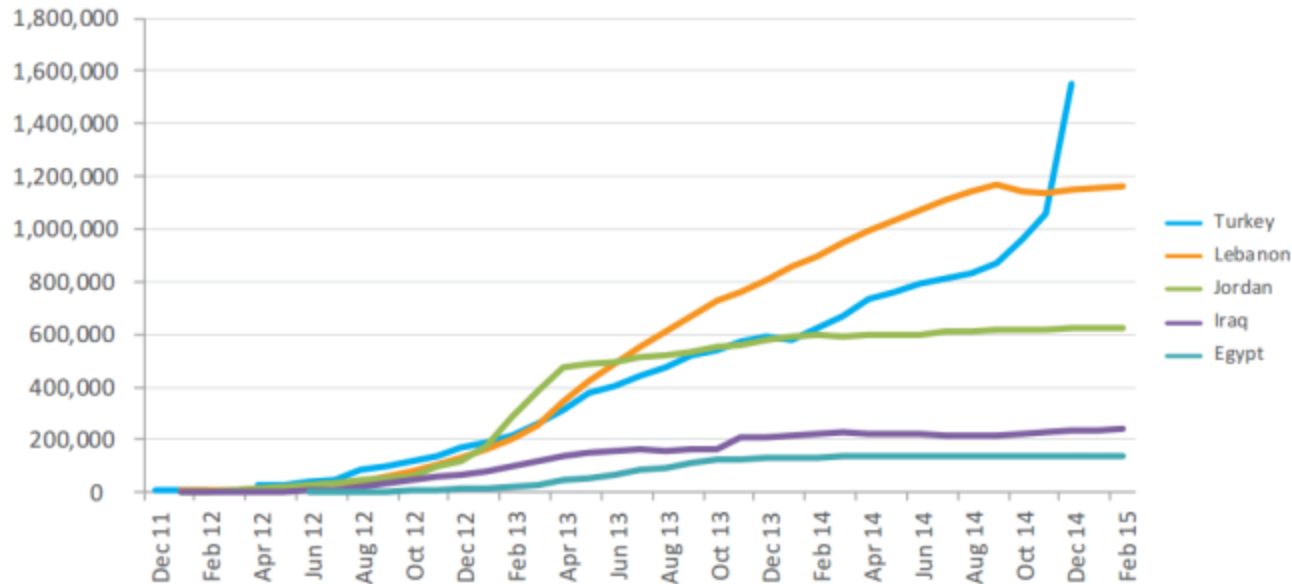


4.6 million Syrians forced to leave the country, and 6.6 million are internally displaced

(Source: United Nations Office for the Coordination of Humanitarian Affairs)

# The ones who moved – where did they go?

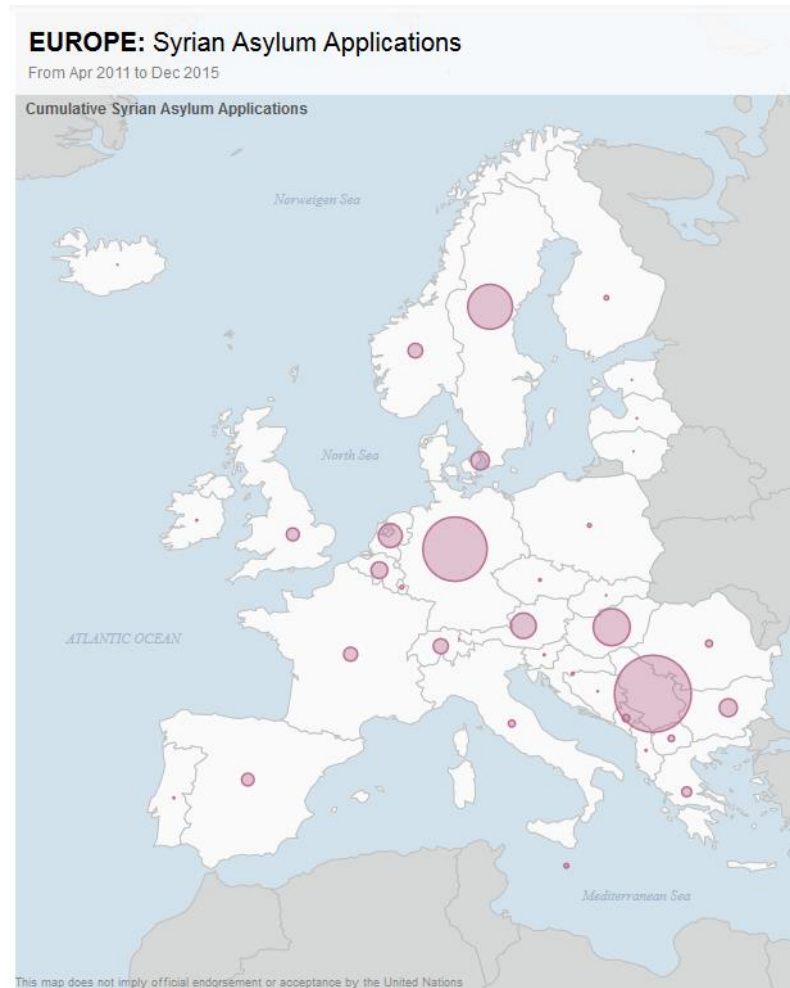
Number of Syrian refugees in neighbouring countries



Source: United Nations Office for the Coordination of Humanitarian Affairs

Developing countries house 80% of the world's refugees. This is true of Syrian refugees. Only about 10% of displaced Syrians are seeking asylum in Europe. Most have moved to neighboring countries.

# The ones who moved – where did they go?



**Between 2011 – 2015: almost a million asylum applications in Europe from Syrian refugees.**

Source: UNHCR

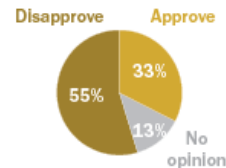
# Attitudes towards refugees

## Over the Decades, American Public Generally Hasn't Welcomed Refugees

% who say ...

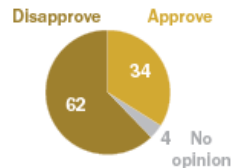
### Hungarians, 1958

Would you approve or disapprove of a plan to permit 65,000 refugees who escaped the Communist regime in Hungary to come to the U.S.?



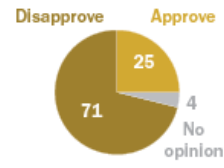
### Indochinese, 1979

Do you approve or disapprove of the U.S. gov't's plan to double the number of refugees from Indochina admitted, to 14,000 a month?



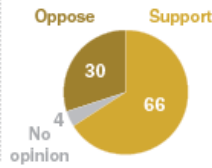
### Cubans, 1980

Many refugees from Cuba have come to the U.S. recently. Do you approve or disapprove of allowing most of these Cuban refugees to settle in the U.S.?



### Ethnic Albanians, 1999

Several hundred ethnic Albanian refugees from Kosovo have been brought to the U.S. Do you support or oppose the decision to bring them here?



Source: Gallup (Hungarians, July-August 1958; Albanians, May 1999)  
CBS/New York Times (Indochinese, July 1979; Cubans, June 1980)

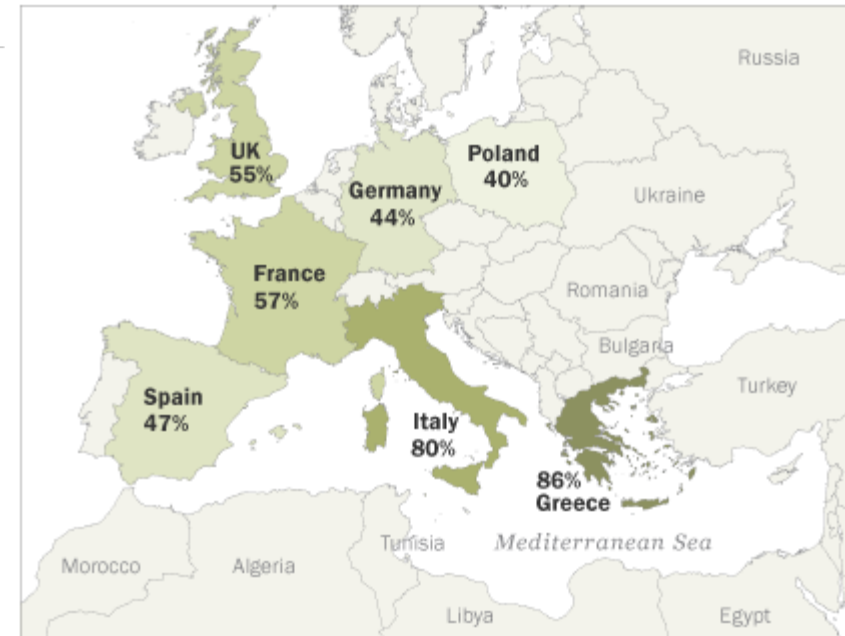
PEW RESEARCH CENTER

Over the decades, developed countries have not been very welcoming of refugees.

Foreign policy is often a matter of “public opinion” in democratic societies.

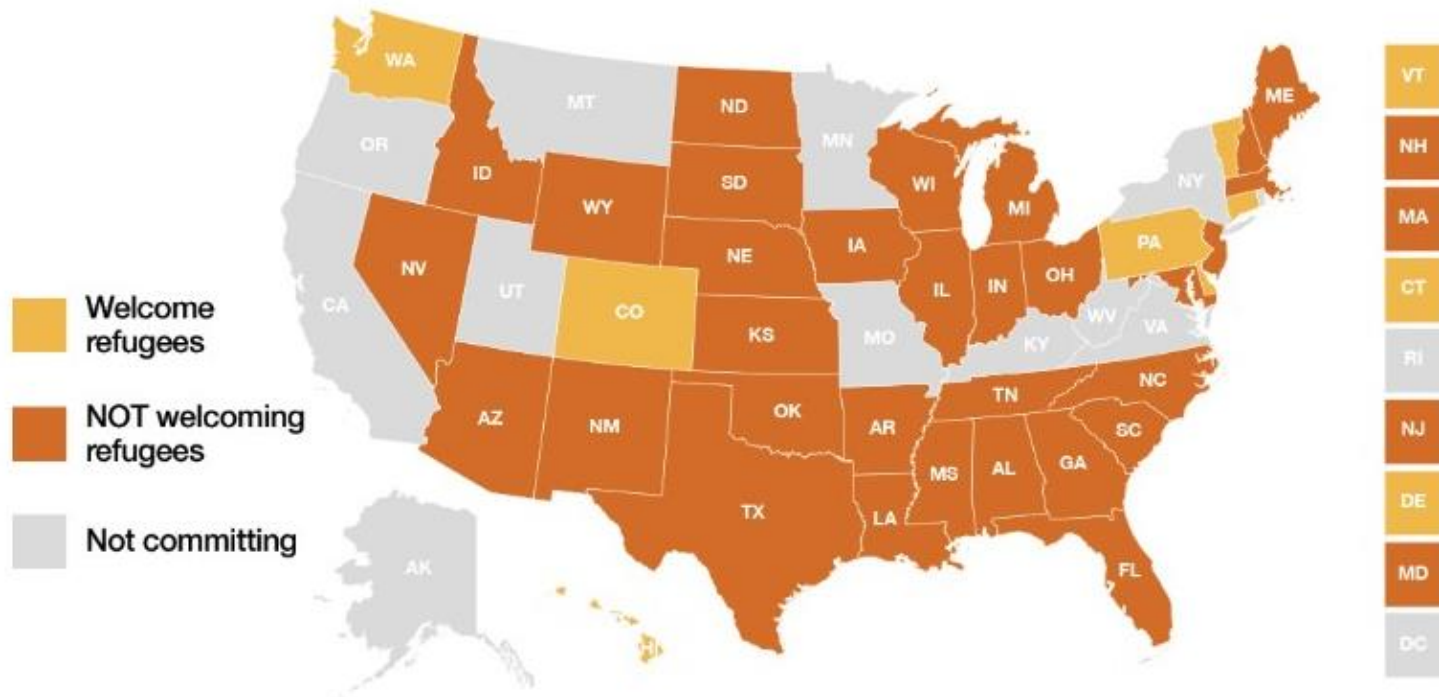
## Many in EU Want Less Immigration

Percent saying their country should allow fewer immigrants



# U.S. Attitudes towards Syrian refugees

## WHICH GOVERNORS OPPOSE NEW SYRIAN REFUGEES?



Among the 31 states protesting the entry of refugees, all but one have Republican governors.

**How many immigrants is this debate over?** 1500 Syrian refugees accepted since 2011, but the Obama administration announced that 10,000 Syrians will be allowed entry next year.



# Evidence on the economic impact of refugees

*Depends on the size of the refugee population and the host country's ability to adapt its economy.*


- Non-EU refugee flows to Denmark in the mid 1990s from Somalia, Afghanistan and Iraq led to (a) increased native mobility across firms and (b) movement to higher-paid jobs (Foged and Peri 2015).
- Vietnamese refugees to the U.S. in the late 1970s established “new” occupational niches to meet demand shortages.
- Refugees in the U.S. are seen to earn less than other immigrants when they newly arrived, but made bigger gains over time (Cortes 2003).
- But the Cuban refugee inflow – the Mariel Boatlift of 1980 – resulted in more crime in Miami, and some displacement of native workers.

# Economic impact of Syrian refugees – neighboring countries

- In Turkey, where 2.6 million refugees have moved, housing and food prices have increased. But there does not seem to be an impact on employment of natives (Akgündüz, Van den Berg and Hassink, 2015).
- In Jordan, however, the 1.4 million Syrian immigrants have cost the economy \$2.4 billion and put pressure on the country's limited water supply (Al Wazani, 2014). But Fakhri and Ibrahim (2015) find no short-run Jordanian labor market crises.
- Similarly, Lebanon – a debt-ridden and cash-strapped country – has seen an increase in expenditure on public services. But the govt. continues to house 1 million Syrian refugees.

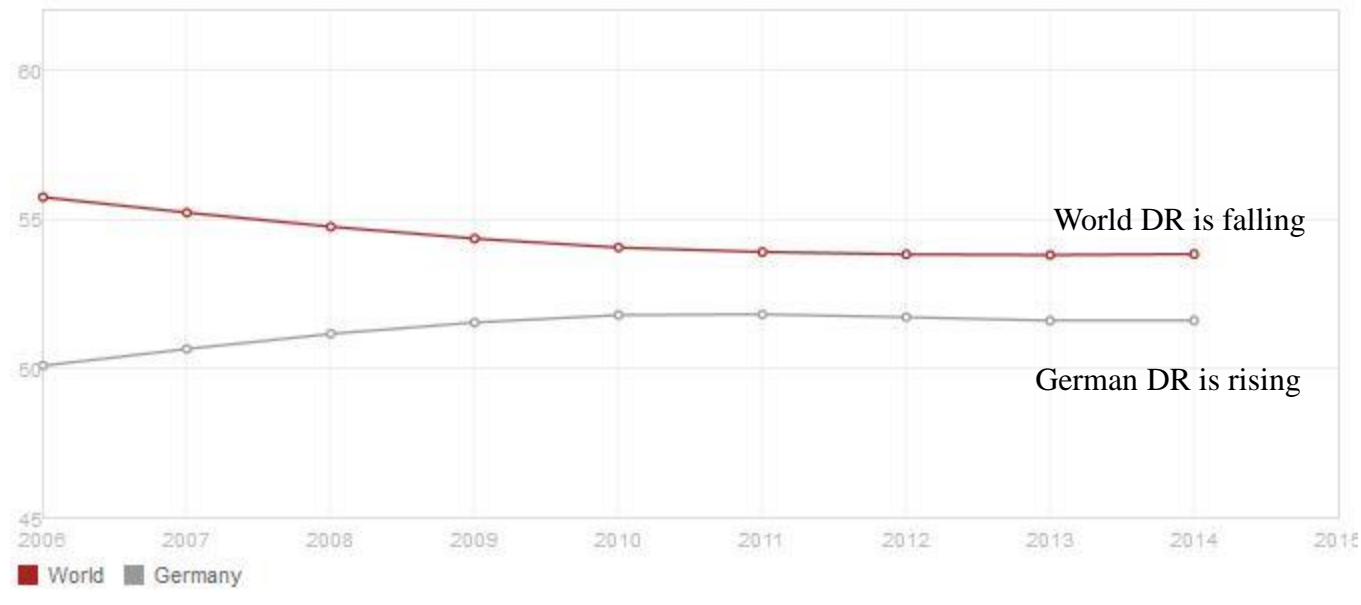
**Hence, small labor market impact but large fiscal impacts.**

# Economic impact of Syrian refugees – Europe

- What is the portrait of a Syrian refugee moving to Europe versus a neighboring country?
  - They are travelling longer distances – they must have the physical and monetary means.
  - Hail from the richer part of Syrian society,
  - previously employed outside of the agricultural sector
  - young and economically active
1. *European economies that have a shortage of young workers can benefit from Syrian refugee inflows.*
  2. *Syrian refugees, though educated are less skilled than European natives. Hence will be “complements” for native labor.*
  3. *Finally, being affluent  less likely to be a fiscal burden.*

# Economic impact of Syrian refugees – Germany

- *Most of Europe has an ageing labor force and a declining birth rate. In order to maintain Europe's economic growth, an injection of young and skilled workers is desperately needed.*
- Dependency ratio measures the # of children 17 years and younger & retirees above the age of 65, as a proportion of working age people 18-65.
- Recognizing this, Germany is on course to admit a million refugees.



# Conclusion

- The Syrian refugee crisis is the largest involuntary displacement of people in recent history.
- Most refugees have moved to neighboring countries. Only 10-15% have sought refuge elsewhere.
- The characteristics of refugees moving to neighboring countries and Europe/North America are likely to be different.
- Refugees from Syria coming to developed countries are likely to complement native labor, and the host country's labor market should be able to adapt and absorb these individuals.
- At the same time, fiscal burden from increased public expenditures and social struggles of admitting new populations must also be calculated.
- Finally, policy is often a matter of public opinion instead of economic reality. The role of media has been very influential in this crisis.