



TENT



**THE ECONOMIC AND  
FISCAL EFFECTS OF  
GRANTING REFUGEES  
FORMAL LABOR  
MARKET ACCESS**

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**1**

# **INTRODUCTION**

# INTRODUCTION



## REFUGEES CAN BE IMMENSE ECONOMIC CONTRIBUTORS TO THE HOST COMMUNITIES WHERE THEY SETTLE.

However, to maximize their contributions and achieve improved well-being and self-reliance, refugees need formal labor market access.<sup>1</sup> But this access is often limited, especially in developing countries. Even where the law allows refugees to access formal employment, administrative and practical barriers often limit this access.

One reason refugees have little access to formal employment is the unsubstantiated belief that refugees inevitably drive down wages, take jobs from hosts, and reduce the quality of services.<sup>2</sup> While these fears are understandable because of the complex economic and fiscal effects of hosting refugees, they are, for the most part, not borne out by the evidence.<sup>3</sup>

**RATHER, FORMAL LABOR MARKET ACCESS (LMA)—THE RIGHT TO SEEK EMPLOYMENT AND START A BUSINESS (WITH SOME DEGREE OF FREEDOM OF MOVEMENT)—IS A CRITICAL LEVER FOR UNLOCKING THE SIGNIFICANT POTENTIAL CONTRIBUTIONS OF REFUGEES WHO ARE ALREADY PRESENT IN A COUNTRY.**

*(For a full definition of formal LMA, see Box 1.)* Overall, even short of a comprehensive version of formal LMA, wherein both legal and de facto barriers to access are minimal or nonexistent, greater rights and fewer barriers around work and business ownership enable greater

benefits. Furthermore, in many cases, policies restricting access to formal work can exacerbate negative effects rather than mitigate them. For example, restricting refugees to certain geographies and sectors intensifies competition between refugees and hosts, increasing the likelihood of negative effects on wages and employment.

**Formal LMA allows refugees to be more productive employees and business owners**, which leads to a more efficient economy and increased GDP for host countries; new employment opportunities for both hosts and refugees; an increased labor supply, which benefits businesses; higher incomes for refugees and thus greater self-reliance and less dependence on aid; greater consumer spending, which stimulates local markets; and increased tax revenues. Other economic benefits include the possibility of increased trade, innovation, and investment in human capital. For refugees, formal LMA can also mean greater workplace protections, greater security and stability, and decreased rates of child labor and child marriage.

Some degree of job competition is real and should be taken seriously. But those effects are more pronounced when the absence of formal LMA crowds refugees into small corners of the informal sector, as appears to have occurred during the first two years of the flood of Syrian refugees into Turkey.<sup>4</sup> Thus formal LMA itself can mitigate labor market impacts on hosts. And complementary **policies can mitigate or eliminate the costs to host**

**workers associated with formal LMA for refugees.**

**Those policies, importantly, can also amplify benefits.**

Examples of these policies include:

- Allowing refugees complementary rights such as the freedom of movement, which minimizes the concentration of any negative impacts while increasing refugees' productivity by enabling them to find jobs that better match their skills and experience.
- Supporting hosts displaced from their jobs by helping them find new employment opportunities—including by moving to other regions—and upgrade to higher paying positions.
- Helping refugees integrate into the labor market, with a focus on supporting women and the most vulnerable groups.
- Offsetting any short-term increases in spending by the host government with fiscal support from donors.
- Recognizing formal workplace protections for refugees and vulnerable host populations, which ultimately benefits host workers as well.

Recently there has been increased momentum around granting refugees greater formal LMA and complementary rights. In 2016, UN Member States unanimously adopted the New York Declaration for Migrants and Refugees, which “[encouraged] host Governments to consider opening their labour markets to refugees.”<sup>5</sup> Toward this goal and others, the Declaration laid out plans for a Comprehensive Refugee Response Framework (CRRF) which, among other objectives, aims to ease pressure on host countries through increased support while increasing employment

opportunities for refugees.<sup>6</sup> This enables and incentivizes host governments to expand formal LMA for refugees even in the face of political challenges. Some developing countries with restricted formal LMA, such as Ethiopia, have already embraced the CRRF as a productive path forward.<sup>7</sup>

In this context, new opportunities are emerging:

- **Governments** have the chance to unleash the unrealized contributions of refugee populations while also receiving international support, to the benefit of their economies.
- **Civil society organizations** have more room than ever to push for greater rights for refugees and implement programs that support self-reliance among refugees and hosts.
- **Businesses** can mobilize as advocates for pragmatic policy, and engage refugees as employees and suppliers. If refugees had greater rights, many global and regional businesses would be well-positioned to hire and supply from refugees: nearly 40 percent of working-age refugees in developing countries are in major urban areas, where these businesses are most likely to be located.<sup>8</sup>

With these new opportunities, there is a growing interest in understanding what the economic and fiscal effects of granting formal LMA to refugees are likely to be. This paper previews these effects, highlighting the potential benefits refugees can generate and the policies that can enable these benefits and mitigate or avoid potential costs. It is an abbreviated version of a CGD working paper.<sup>9</sup>



**BOX 1 | DEFINING FORMAL LMA**

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The provision of access to the formal labor market is not black and white: there can be a large degree of variation in the extent of access that is granted. For example, in Turkey, refugees may be technically given the right to work, but it may be difficult in practice to fulfill that right due to a variety of barriers such as fees and heavy administrative processes. In this paper, we consider formal LMA to be the right, unrestricted by the government in law and in practice, to seek employment and start a business. We also assume that it will be accompanied by a degree of freedom of movement that at least allows refugees to leave camps and seek opportunities in formal labor markets, albeit not necessarily in the location of their choosing. This is because the government is, in effect, restricting access to formal labor markets if they are restricting refugees to camps, where formal markets are small (if they exist at all).

To illustrate, formal LMA by our definition could take the form of automatic provision of the right to formally work to all refugees, with no (or very few) limits on the sectors in which they can work, with laws that clearly define this right and which are upheld in practice. Importantly, by this definition, other barriers—including discrimination, sociocultural barriers, or fees that apply to all businesses regardless of ownership—may still exist in the presence of formal LMA. These barriers can be addressed by complementary policies, which are discussed in section IV.

Many of the benefits of formal LMA for refugees can be realized by granting less comprehensive access to formal labor markets (e.g., if the right to work is only granted for certain sectors), but the closer provision is to our definition of formal LMA, the greater the potential benefits.



# 2

## **WHAT WE KNOW ABOUT THE LABOR MARKET AND FISCAL EFFECTS OF REFUGEE INFLOWS**

# WHAT WE KNOW ABOUT THE EFFECTS OF REFUGEE INFLOWS



**LABOR MARKET EFFECTS ARE MINOR ON AVERAGE IN THE SHORT TERM, WITH POSITIVE EFFECTS FOR SOME GROUPS AND NEGATIVE EFFECTS FOR OTHERS. OVER TIME, THE EFFECTS FOR ALL GROUPS BECOME INCREASINGLY POSITIVE.**

Most research finds that the **average effects of refugee inflows on hosts' wages and unemployment are minor or null**—for both developed and developing countries. A large body of literature shows that this is typically true even in the case of very large, short-term influxes.<sup>10</sup>

**In some cases, more substantial average negative effects are observed.**<sup>11</sup> But these effects tend to occur only in the short run or when there is an especially large concentration of refugees in certain geographies and industries.<sup>12</sup>

In the much more common instances of minor or null average effects, **it is typical to observe significant positive or negative effects for certain groups in the population.** Hosts with skills, job preferences, and education levels most similar to those of refugees are more likely to be negatively impacted (as refugees could substitute for hosts in jobs). Hosts who are more distinct from refugees are more likely to benefit from complementary effects.<sup>13</sup> For example, by completing lower-skill tasks, refugees can allow higher-skilled hosts to focus on more productive, skill-intensive tasks<sup>14</sup>

**It is also common for varied impacts to occur across genders.** Women often face disproportionate barriers to accessing labor market opportunities, including social,

cultural, and other barriers. Sometimes women are the most likely to benefit but, depending on the context and the skill level of the women, they may be the most negatively affected.<sup>15</sup> See section IV for a discussion of how policies can address unequal outcomes across genders and other groups.

**In some cases, no negative effects are observed for any groups of the host population.** Take for example the Mariel Boatlift, an event that resulted in an influx of Cubans to Miami that increased the low-skilled labor force by 20 percent within three months in 1980. There were no negative outcomes for any education group, including low-skilled hosts.<sup>16</sup>

**In the long run, initial negative effects often disappear and may even translate into positive outcomes.**

In Denmark, a surge of Yugoslav refugees in 1995 displaced some lower-skilled hosts in the short term. Ultimately, however, being displaced led these hosts to upgrade to more advanced occupations and, by 2008, earn 3 percent more on average. Thus, the net effect of exposure to refugee arrivals on low-skilled hosts was a significant rise in earnings.<sup>17</sup>

In the near term, **policies can prevent or mitigate potential negative effects**, which are real and serious concerns. For example, to avoid adverse impacts caused by a high concentration of refugee labor in one geographic area, freedom of movement and other policies to encourage geographic dispersion and job matching should accompany formal work rights.

## **FISCAL EFFECTS ARE MINOR IN THE SHORT TERM AND POSITIVE OVER TIME**

The fiscal effects of refugee inflows are usually minor and tend to become more positive over time, in both developed and developing countries.<sup>18</sup> For example, in the U.S., supporting the average refugee costs a net \$20,000 to taxpayers their first year (a small amount when considered as a percentage of total government expenditure, even accounting for all refugees), but that cost falls sharply to about \$5,000 by the second year and they begin to have a net contribution after eight years. After 20 years, the average refugee has made a net \$21,000 contribution over the course of their time in the U.S.<sup>19</sup>

It takes time for refugees to find jobs and begin earning incomes. And, once hired, it takes time for them to improve their skills to advance to higher-paying positions. But with time, many refugees will pay more in taxes, stimulate the economy, and use fewer government services.<sup>20</sup> Therefore, one of **the most important determinants of refugees' fiscal effects is the degree to which they succeed and remain in the labor market.** This, in turn, is determined by how quickly refugees are allowed to access the labor market following their arrival, and their skills, education level, language ability, and age.<sup>21</sup> Thus, depending on context, it may take refugees more or less time to become net contributors. But the greater their LMA, the sooner they should become net contributors.





**3**

**WHAT ARE  
THE POTENTIAL  
BENEFITS OF  
GRANTING FORMAL  
LABOR MARKET ACCESS?**

# POTENTIAL BENEFITS



**GRANTING FORMAL LMA TO REFUGEES WHO ARE ALREADY PRESENT IN A COUNTRY CAN BENEFIT BOTH REFUGEES AND HOSTS BY RAISING REFUGEE INCOMES, IMPROVING LABOR MARKET OUTCOMES FOR HOSTS, INCREASING FIRM PRODUCTIVITY, INCREASING CONSUMER SPENDING, AND BOOSTING GOVERNMENT REVENUES.<sup>22</sup>**

*(For a description of contextual factors that shape these economic effects, see Box 2.)*

## RAISING REFUGEE INCOMES

Informal work is typically less productive, pays less, and demands lower-skilled labor.<sup>23</sup> This means refugees have a lower potential for productivity and earnings when they are confined to the informal market and high-skilled refugees will be less able to apply their skills productively. Granting formal LMA can:

- Increase wages and productivity, as it allows refugees to search for more and better jobs, utilize their skills, and improve bargaining power.<sup>24</sup>
- Lead to increased investment in human capital because it increases the likelihood of putting new skills to use. This increased investment should lead to greater incomes in the long run.<sup>25</sup>

- Increase employment rates because employers may prefer workers not at risk of deportation, implying that formalized workers will have more options for employment.<sup>26</sup>

However, formalization can affect men and women differently and the benefits may not be evenly distributed.<sup>27</sup> In many developing countries—where women have had fewer opportunities for education, work experience, and skills development and are more restricted by social norms—women in general are less likely to work in the formal sector, implying refugee women would benefit less (at least directly) from formalization.<sup>28</sup>



## BOX 2 | CONTEXTUAL FACTORS THAT SHAPE THE ECONOMIC EFFECTS OF GRANTING FORMAL LMA TO REFUGEES

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The economic effects of granting formal LMA will vary across countries. Five key contextual factors determine these effects:

1. **Current extent of LMA.** One of the most important factors determining the impact of granting formal LMA is the current extent of refugee labor market access, including informal access. Although formal LMA is widely restricted in most developing countries, **employment in the informal sector is widespread in many countries. In others, refugees are mostly restricted to camps**, such that they are for the most part not integrated into non-camp labor markets.<sup>29</sup> In the former situation, the impact of granting formal LMA will be relatively minor (though still substantial), as many of the benefits and adjustments associated with refugee inflows will have already occurred. In the latter situation, labor market adjustments will be much greater and the magnitude of impacts will be larger, likely mirroring those seen in refugee inflows.
2. **Skill and demographic profiles of refugees.** This will partially determine **the degree of complementarity or substitutability** between refugees and hosts. Substitutes are more likely to displace host workers while refugees with complementary profiles are more likely to improve outcomes for hosts.<sup>30</sup> Skill levels also influence **the degree to which refugees enter the formal market**. If the refugee population is relatively skilled, one might expect a larger shift toward new opportunities in the formal sector, creating potential positive and negative effects.
3. **Size and composition of the informal market.** Three labor market characteristics determine impact. **If the informal market is larger**, refugees may be more able to find work, apply their skills, and earn incomes commensurate with their skill and education level in the informal market, such that granting formal LMA may have a smaller overall impact. **If the labor market is more flexible** (e.g., if it is easier to fire and hire workers, wages are less rigid, or business entry costs are low), the labor market effects should be more positive.<sup>31</sup> **If the unemployment rate is higher among the specific group of people that would compete with refugees** for jobs, labor market effects should be more negative.
4. **Geographic location and concentration.** **If refugees are located in areas with many employment options, they will be more likely to benefit** from formal LMA.<sup>32</sup> For example, Syrian refugees living in Istanbul are close to formal work opportunities, but Afghan refugees in the Federally Administered Tribal Areas of Pakistan may not have the same opportunities. And **if refugees are highly concentrated, they may have less access to employment opportunities on average and compete more with hosts**.<sup>33</sup> These factors can be addressed by policies that allow and encourage movement, but they will nevertheless play significant roles in the short term.
5. **Policy choices and political context.** The impact of refugees on labor markets and economies is ultimately a policy choice. **Policymakers have the ability to facilitate positive outcomes and avoid or mitigate costs**.<sup>34</sup> Policy choices are of course influenced by the environment in which policy decisions are made. For example, in a context of broad economic growth, less popular policy changes may be more feasible. Where there is strong international support to incentivize changes, formal LMA policies for refugees may be easier to implement. These and other political economy factors play a crucial role in determining policy choices and subsequent implementation, and thus the outcome of moves toward greater formal LMA.



**Where refugees are already working informally,** they would likely experience many of the benefits of extending formal LMA because formalization allows one to move to find work, apply for more jobs, and better match their skills to employment.<sup>35</sup> They would also have more bargaining power in negotiating wages or demanding fair pay.<sup>36</sup> The benefits should be largest for skilled workers, who could better apply their skills in the formal sector. But benefits would also accrue to workers in the informal sector. By having more freedom to choose employers and less fear of retribution, refugees would have greater power in demanding fair wages and finding employment where they can be most productive—regardless of the sector. Furthermore, with greater employment prospects, refugees in both formal and informal sectors would be more likely to invest in education and skills development.

**Where refugees are mostly restricted to camps,** the gains to productivity of formal LMA would be even larger. Aside from benefitting from formal access, they would experience the additional benefit of being able to access work in the informal market outside of camps (so long as formal LMA was accompanied by some freedom of movement, as we recommend).

## IMPROVING LABOR MARKET OUTCOMES FOR HOSTS

The productivity increase from formal LMA would not just benefit refugees, but the wider host economy as well. To illustrate, researchers have estimated the impact of providing permanent formal status to the nearly 800,000 immigrants in the United States that were protected under the Deferred Action for Childhood Arrivals (DACA) program. This program allowed immigrants that came to the country illegally as children to apply every two years to reside and work in the United States. However, the program has been rescinded and DACA recipients may be deported, depending on legal proceedings. Thus, formalizing these immigrants, similar to providing formal LMA to refugees, would have the effect of expanding the formal labor supply and providing stable legal status to a large group of people. The researchers estimated that, over the long run, formalizing DACA recipients would increase United States GDP by 0.8 percent. This amounts to \$15.2 billion per year.<sup>37</sup>

When refugees are more productive, they create positive labor market outcomes for hosts, complementing them in the workforce:

- By filling the more manual-intensive jobs, **lower-skilled refugees can allow for task specialization, encouraging hosts to upgrade to higher-paying, skill-intensive occupations.**<sup>38</sup>
- By filling labor shortages, both low- and high-skilled **refugees can make businesses more productive and thus more capable of hiring new employees and stimulating related industries.**<sup>39</sup>
- By expanding the labor supply, refugees can create “scale effects,” wherein they lower the cost of labor in a way that **makes businesses more productive, leading to new employment opportunities.**<sup>40</sup>

- By working alongside hosts, **refugees can pass on valuable vocational skills.**<sup>41</sup>

**Overall, the labor market effects on hosts from granting formal LMA where refugees are already working informally would be minor.** Because of the large size of informal markets in developing countries<sup>42</sup> and the fact that refugee populations are generally low skilled,<sup>43</sup> a large portion of refugees would likely remain in the informal market even after being granted formal LMA. The bulk of substitution effects, to the extent they exist, will have already happened—rendering little to no impact.

Still, some refugees may move to the formal market, resulting in a variety of different positive and negative effects for the host community. On the positive side:

- They may have more complementary and productivity-enhancing effects in the formal sector. For example, if skilled refugees obtain formal employment and improve their firm’s productivity, the firm may be able to hire more low-skilled hosts.
- To the extent that refugees who moved to the formal sector were displacing hosts in the informal sector, formalization may reduce job displacement and any minor wage depression.
- To the extent that informal workers were driving down wages in both the informal and formal sector (by working below minimum wages informally or having little bargaining power), formalization could reduce downward pressure on wages by giving these workers increased bargaining power and allowing them to demand fair wages.<sup>44</sup>

Therefore, the overall effect of granting formal LMA in this situation would likely be especially positive for low-skilled members of the host population.

On the negative side:

- With more bargaining power, refugees may demand higher wages. This is of course a positive outcome for refugees, but the result for host employers is more expensive labor and thus lower productivity among some firms.<sup>45</sup>
- Skilled refugees may substitute more for skilled hosts in the formal sector.<sup>46</sup>

Given the relatively low level of skilled labor among most refugee populations, the magnitude would likely be small and the effects would likely become more positive over time.

**The labor market effects on hosts from granting formal LMA and freedom of movement in situations where refugees are currently mostly restricted to camps would likely be small or null on average,** resembling the effects of refugee inflows, discussed in section II. Many refugees would likely stay in camps, but many others would enter the informal or formal markets within a relatively short period of time. Thus, refugees would complement certain groups of hosts—especially the higher-skilled hosts—improving productivity and creating employment opportunities. There would be small or null labor market effects, concentrated among closest substitutes (mostly lower-skilled hosts), with the magnitude depending on the key factors discussed above. Over time, these negative effects would diminish, turning into positive effects as hosts upgrade to higher paying occupations. Again, policies can amplify and/or accelerate benefits and mitigate costs.

## INCREASING FIRM PRODUCTIVITY

Refugees with formal LMA can start and grow businesses—to the benefit of hosts as well as themselves. In Turkey, where refugees are allowed to own businesses formally, Syrian refugees started a total of 6,033 formal companies from 2011 to 2017, employing 9.4 people on average—a total of about 56,710 people, most of whom were hosts.<sup>47</sup> In Uganda, refugee-owned businesses provide valuable services to hosts, who often rely on them for the provision of goods and as suppliers and distributors.<sup>48</sup>

**Many businesses will remain informal, but those that chose to formalize will experience and create benefits—for refugees and hosts.** The average business would likely not formalize. Many firms in developing countries are informal for good reasons (e.g., they may not be productive enough to thrive in the formal sector), and simply giving a firm the opportunity to formalize does not mean it will.<sup>49</sup>

That being said, more exceptional business owners certainly would benefit from formality. When firms are informal, there is a limit to how much they can grow (as they must remain small to avoid detection) and they do not have access to financial services, contract enforcement, and other services that can help them grow.<sup>50</sup> Therefore, firms that formalize will experience and create various benefits:

- Granting formal LMA would **remove limits to productivity** and allow more exceptional firms to thrive in the formal market.
- These more productive businesses would have a **greater ability to hire hosts**, pay them more, and contribute to the economy more broadly.
- The refugee business owners that benefit from formalization and make their firms more productive may have **network effects**. That is, they may be inclined to hire more refugees.<sup>51</sup> This would improve outcomes for those refugees and indirectly benefit hosts—by creating fiscal benefits, benefits from increased demand, and benefits from potential complementarity.

Other firms could benefit from the provision of formal LMA *even if they stay in the informal market*, as it could reduce the harassment they face and thus allow them to be more productive. It is common for informal refugee businesses and workers to face harassment from police and possible deportation for working.<sup>52</sup> Formalization can reduce these threats: refugees in Jordan with work permits claim that the permits legitimize their presence, making them less vulnerable to deportation even when working informally.<sup>53</sup> Depending on the context, it is possible that a similar dynamic occurs with businesses, where formal LMA provides greater legitimacy to business owners even if they remain in the informal sector.

**Where refugees are restricted to camps, granting formal LMA would allow refugee business owners access to the rest of the economy, enabling both formal and informal firms to hire hosts, supply from hosts, and provide new services.**<sup>54</sup>

One potential downside to the entry of both formal and informal firms, relevant in all situations, is the possible displacement of host firms. However, these effects are typically minor.<sup>55</sup> Moreover, economic theory suggests that when new businesses are allowed to enter the market, there is a possibility the increased competition will push existing host firms to become more innovative and productive.<sup>56</sup> Regardless, firm displacement is a real possibility and should be addressed with interventions that support those whom are displaced.

In all situations, the benefits gained from formalizing refugee businesses would very likely outweigh the costs. While they might cause small displacement effects, the new businesses would contribute by providing valuable services, creating new employment opportunities, stimulating increased spending in the economy, and potentially increasing innovation and strengthening trade networks.

## INCREASING CONSUMER SPENDING

If refugees are more productive and earn greater incomes as employees and business owners, they contribute to the economy by spending more, increasing consumer demand to the benefit of host businesses and their employees. For example, the Mariel Boatlift refugee inflows to Miami raised per capita retail sales, which in turn positively influenced employees' wages in addition to businesses' incomes.<sup>57</sup> In Tanzania, farmers expanded production and sales in response to an inflow of refugees.<sup>58</sup> Refugees' effects on hosts' incomes via consumer spending are also likely to become more

positive over time. As refugees become more integrated into the labor market, they should earn more and spend more.

**Where refugees are currently restricted to camps, the effect will likely be larger than in situations where refugees are working informally because they will likely experience a larger increase in incomes, translating into a larger increase in consumer**

**spending.** When refugees are working informally they already have some positive consumer demand effects. If they are given formal LMA and a more stable status, the magnitude of those effects will increase.

## BOOSTING GOVERNMENT REVENUES

All of the aforementioned channels of positive impact—increased productivity of refugees in the labor market, complementary effects for hosts, and increased spending—also contribute to improved fiscal impacts, because when individuals earn and spend more, they contribute to greater tax revenues. In fact, the main factor in determining fiscal effects of immigrant and refugee inflows is labor market integration.<sup>59</sup> This is because:

- When refugees obtain informal or formal work and increase their incomes, they pay more in indirect taxes because they will likely spend more at tax-paying businesses.
- If refugees work formally they are more likely to contribute to the productivity of a business that pays direct taxes.

- If refugees own formal businesses, they are more likely to pay direct taxes for their business.
- If refugees own informal businesses, they are likely to contribute more in direct or indirect taxes by supplying from formal businesses, paying rent to tax-paying property owners, etc.

On the other hand, it is possible that greater LMA and freedom of movement could result in greater government spending. Refugees may be more likely to use government services, including health and education systems, or create wear and tear on infrastructure.

**Where refugees are already working informally, the net fiscal effects of formal LMA will likely be positive.** If refugees are already using services to a large degree, as is often the case when refugees are already integrated into the informal market,<sup>60</sup> formalization may not change the rate of service use. At the same time, donors may be even more willing to support provision, thus further offsetting costs. For example, countries like Uganda and Ethiopia that have embraced the CRRF (which involves a focus on the self-reliance of refugees) are receiving funding from donors to support service provision that reaches both hosts and refugees.<sup>61</sup> Furthermore, tax contributions from refugees will likely increase following the provision of formal LMA. Thus, it is likely that granting formal LMA will have net positive fiscal effects.

**Where refugees are currently confined to camps, there may be a short-term net fiscal cost to formal LMA as refugees leave camps and access services, but these might be offset by donor support.** In situations where refugees are in donor-funded camps and exerting very little fiscal cost on host governments, whether refugees have a positive or negative net fiscal impact will depend on context. If only refugees more likely to work leave the camps, the fiscal impact will likely be positive. If a large proportion of refugees that leave the camps have little labor market success, the effects will be more negative. It will also depend on the extent of access that refugees have to services, and the extent to which humanitarian and development actors support government service provision. Some countries embracing longer-term approaches like Jordan and Ethiopia have received substantial new development financing, though this may be insufficient to cover increased costs.<sup>62</sup> Thus, as refugees leave camps, assuming they have some access to services, they may exert a net fiscal cost in the short-term. But the cost is likely to be offset to some degree by donor support and then by refugees' contributions in the longer-term as they become integrated into the labor market.



**4**

**POLICY  
RECOMMENDATIONS  
TO AMPLIFY BENEFITS  
WHILE MITIGATING  
COSTS**

# POLICY RECOMMENDATIONS



**IT IS ESSENTIAL THAT WELL-FUNDED SUPPORT SYSTEMS AND COMPLEMENTARY POLICIES ACCOMPANY FORMAL LMA SO THAT THE POTENTIAL COSTS DO NOT ACCUMULATE AND LEAD TO POLITICAL BACKLASH THAT UNDERMINES PROGRESS.**

This section discusses 12 such policies, grouped into four categories (summarized in Table 1). Alongside formal LMA, we recommend that policymakers:

1. Facilitate refugee labor market integration through supportive policies and programs.
2. Expand rights to refugees as complements to formal LMA to help them integrate into the labor market more quickly and create greater economic and fiscal contributions.
3. Help hosts adjust to changes resulting from granting refugees formal LMA.
4. Implement crosscutting policies relating directly to both refugees and hosts.

## 1. FACILITATE REFUGEE LABOR MARKET INTEGRATION

### LOWER ADMINISTRATIVE BARRIERS TO FORMAL LMA

The first policy is linked to formal LMA itself: the process for obtaining formal authorization to work or own businesses should be as easy as possible. The faster refugees are able to access the labor market, the more successful they will be in the long run.<sup>63</sup> And, if administrative barriers to formal LMA are high enough to prevent most refugees from succeeding in gaining access, then formal LMA has not in fact been granted and many of the benefits listed above will not be realized—or they will be realized to a lesser degree.

Ideally, individuals with refugee status should be automatically granted formal LMA and would not need permits. A permit system and associated administrative barriers would likely deter some otherwise eligible and qualified refugees from entering the formal market, limit skills matching, make it difficult for refugees to achieve formal employment, and create extra costs for employers and refugees.<sup>64</sup> In cases where permit systems are in place, they should not be tied to employers, as this can lead to exploitation.<sup>65</sup> Furthermore, “one-stop shops,” which would offer services to facilitate the process of

business creation or obtaining work permits, could be created.<sup>66</sup> The government should also have clear policies on refugees' rights. Often, various stakeholders, including different levels of government and employers, interpret and apply policies differently. This can lead to a restriction of access when in fact refugees have the legal right to access.<sup>67</sup>

### **PROVIDE LIVELIHOODS SUPPORT TO REFUGEES**

Jobs and livelihoods programs can help refugees achieve self-reliance while also working toward many of the other benefits mentioned above. The more integrated refugees are into the labor market, the stronger their fiscal contributions. The more productive their businesses, the more hosts they can hire.

Livelihoods programs can take many forms, including trainings, information provision, cash transfers, microfinance, and initiatives to connect refugees with job opportunities. Trainings and other interventions related to skills are crucial because refugees face a number of unique obstacles, including language barriers. Evaluations of livelihoods programs have produced mixed findings. Nonetheless, some promising approaches have emerged—particularly those which are more holistic—and could be applied more widely.<sup>68</sup>

### **ENABLE SKILL VERIFICATION AND RECOGNITION**

It is common for refugees to have skills, degrees, or other certifications that they received in their home country which are not recognized in the host country, or which they cannot secure from their country of origin.<sup>69</sup>

This is an obvious problem for refugees who want to be as productive as possible while also obtaining fulfilling employment, and it is also a major loss for their host communities. Helping refugees verify their skills to apply them in the host labor markets is important to improve net fiscal effects. Experience from OECD countries provides a breadth of evidence for best practice in establishing systems for skills verification, including the establishment of one-stop centers for receiving assessment and verification.<sup>70</sup>



## 2. EXPAND RIGHTS TO REFUGEES

### GRANT FREEDOM OF MOVEMENT

One of the most important policies that should accompany formal LMA is freedom of movement. Its benefits include:

- Allowing refugees to **travel to meet labor demand**, making them more able to fill shortages.
- Enabling refugees to apply their skills by **finding jobs that best fit their abilities**, leading to increased productivity.
- **Reducing the concentration of labor** flowing into a given area, diminishing the possibility of displacement.<sup>71</sup>
- Enhancing businesses' productivity by **enabling them to develop intranational or international trade networks**.<sup>72</sup>

Policies aimed at improving freedom of movement should do more than just grant legal freedom of movement. There are many barriers to movement aside from legal restrictions, including fear of discrimination while traveling, transportation costs, and tying work permits to specific employers.<sup>73</sup> Lowering these de facto barriers in addition to de jure barriers will be key to facilitating mobility.

Policymakers should also consider the possibility that some refugees will be more inclined to locate themselves based on the availability of certain services, such as health care, rather than job opportunities. This could dilute the effectiveness of the freedom of movement policy as a measure for improving labor market outcomes for refugees and hosts. To the extent it occurs, policymakers should consider how to facilitate movement for employment. For example, they could ensure that refugees have access to services regardless of location or provide temporary housing.

### FACILITATE FINANCIAL ACCESS

To enable refugee integration and success in the labor market, barriers to financial access for refugees should be minimized. Allowing refugees financial access could generate benefits through a number of channels:

- Some **formal jobs require employees to have bank accounts**. Facilitating financial access could allow refugees to access these jobs.<sup>74</sup>
- Financial access can **improve resilience**, reducing asset depletion in times of shock.<sup>75</sup>
- Access to finance can lead to **increased consumption** by enabling larger purchases.<sup>76</sup>
- Finance, by providing a source of funds both for long-term investment and for smoothing income to address short-term costs, is important for **stimulating business growth**.

A number of de facto barriers impede access for refugees, including a lack of understanding among banks about the rights of refugees.<sup>77</sup> Among refugees and immigrants more broadly, access to finance may be lower because they have shorter credit histories, are perceived as riskier due to higher business failure rates (in some contexts), and are discriminated against.<sup>78</sup>

Some of these issues can be addressed by working directly with banks. Governments can also clearly define regulations so that banks are better aware of the rights of refugees and able to serve them. Alternatively, livelihoods programs could be implemented with microfinance components or components that help and/or encourage refugees to access financial services; aid could be disbursed through formal financial mechanisms to encourage take-up; and information about the financial services could be targeted at refugees.<sup>79</sup>

### **EXPAND ACCESS TO EDUCATION**

Over the long run, access to education will be key to facilitating the economic contributions of refugees. As mentioned in the introduction, many refugees will be (and are) growing up in highly protracted contexts. Without access to education, they may eventually enter the host country's labor market with few skills, limiting their opportunities to make positive contributions.

## **3. HELP HOSTS ADJUST**

### **FACILITATE OCCUPATIONAL UPGRADING**

When hosts are displaced, they sometimes experience improved labor market outcomes over the medium-to-long run. This is because they are in effect prompted to upgrade to more advanced, higher-paying occupations for which they have an advantage over certain groups of refugees or immigrants.<sup>80</sup>

Active Labor Market Programs (ALMPs) may help hosts achieve occupational upgrading. To increase the likelihood that the increased competition from refugees leads to hosts upgrading rather than being displaced into unemployment, governments and donors can implement ALMPs to help hosts develop skills and find new employment opportunities. Similar to jobs and livelihoods programs for refugees, ALMPs include vocational training, wage subsidies to employers, transportation support, matching services, business start-up assistance, public works programs, and more. These programs have been found to have a very mixed degree of effectiveness in both developed and developing countries, though a number of promising approaches have begun to emerge.<sup>81</sup> Adapting some of the more successful ALMPs to the refugee-hosting context can generate positive outcomes for displaced hosts and the businesses benefitting from task specialization.

### **SUPPORT THE MOST VULNERABLE HOST POPULATIONS**

The most vulnerable members of host communities often experience the most adverse impacts of refugee inflows, such as job displacement.<sup>82</sup> As mentioned above, granting formal LMA along with freedom of movement may alleviate these problems but, to the extent that they still exist, development actors can provide support to the most vulnerable host groups. In the long run, upgrading and other positive outcomes may occur, but in the short run, interventions such as cash transfers or other safety net programs may be important. These interventions can jointly target hosts and refugees—an approach which is discussed below.

### **SUPPORT GOVERNMENT SPENDING ON REFUGEES**

When refugees restricted to camps are given formal LMA and freedom of movement, the net fiscal effect may be negative in the short term. To offset these costs, donors can provide fiscal support to governments and help finance the increased provision of services. Supporting service provision through national and local systems is an increasingly common approach among donors and can have the additional effect of improving service quality for refugees and hosts.<sup>83</sup> Recent efforts, such as the World Bank's IDA18 financing sub-window, provide direct support (via concessional loans) to governments and are creating new opportunities for medium-term solutions.<sup>84</sup>

## 4. IMPLEMENT CROSSCUTTING POLICIES

### RESPOND TO GENDER DYNAMICS AND PROMOTE GENDER EQUALITY

The labor market effects of refugee inflows and formalization can vary across genders. Host women are often the most adversely affected by refugee inflows, and formalization may benefit refugee women less than men. Policymakers and practitioners should therefore implement policies and programs that increase women's access to labor markets and sustainable livelihoods. For example, if job displacement (to the extent that it occurs at all) occurs disproportionately among women, ALMPs or other support programs can be targeted to women. If refugee women are exposed to fewer employment opportunities following formalization, livelihoods programs can be targeted to up-skilling women refugees or developing their skills in ways complementary to the existing formal workforce. These programs should also address the additional barriers that women face to employment, including restrictive social norms, the high risk of gender-based violence, and a lack of access to reproductive health services.<sup>85</sup>

Under the right policy conditions, displacement can create new opportunities to promote women's empowerment. In displacement contexts, refugee women may have access to reproductive services, formal education, and employment opportunities for the first time. If policies are implemented to support women, they can leverage these new opportunities to advance gender equality and women's empowerment.<sup>86</sup>

### SECURE WORKPLACE PROTECTIONS

As with the provision of other rights, simply obtaining the formal right to workplace protections will not guarantee that those protections are realized in practice. In the case of Ecuador, for example, many of the Colombian

refugees that obtain formal work still do not enjoy the protections guaranteed by law.<sup>87</sup> Programs built on successful examples, such as the Better Work program, can improve protections for both refugees and hosts.<sup>88</sup> These can include implementing measures to inform refugees and their employers about the rights of refugees and creating safe channels for workers to express grievances. Policymakers should also seek to implement equal protections for refugees and hosts. In many cases, doing so will benefit both groups. For example, foreigners in Jordan have a lower minimum wage than hosts. This has clear repercussions for foreigners'/refugees' wages, but can also make it more difficult for hosts to find work, as employers may have a preference for hiring foreigners so they can pay lower wages.<sup>89</sup>

### JOINTLY TARGET HOSTS AND REFUGEES

Many of the policies and interventions mentioned above can and should be applied to both hosts and refugees. For example, livelihoods programming and ALMPs are similar in nature, so when interventions are created to help refugees succeed in the labor market, they should have a component geared towards hosts. For example, an IRC employment hub facilitates job matching for both Syrian refugees and vulnerable Jordanians.<sup>90</sup> Likewise, programs targeting vulnerable populations, such as cash transfers, should respond to needs rather than status as a refugee, internally displaced person, citizen, migrant, or other. At the macro level, when policymakers attempt to create jobs for refugees, they should also consider how to grow the pie and create jobs for hosts. For example, the World Bank plans to invest in industrial zones in Ethiopia that should create jobs for both hosts and refugees.<sup>91</sup> Such an approach will be more likely to win support among the host community if it leads to greater opportunities for hosts as well.

▲ **TABLE 1** | KEY POLICIES FOR IMPROVING THE IMPACTS OF FORMAL LMA, AND EXAMPLES OF THEIR IMPORTANCE

KEY POLICIES	EXAMPLE OF POLICY IMPORTANCE
<b>FACILITATE REFUGEE LABOR MARKET INTEGRATION</b>	
Lower administrative barriers to formal LMA	The faster refugees are able to access the labor market, the more successful they will be in the long run. <sup>92</sup> Administrative barriers should not get in the way; one way to get around them is to make formal LMA automatic.
Provide livelihoods support to refugees	Programs that help refugees succeed in the labor market—such as language training or cash transfers paired with financial literacy training—provide benefits for refugees as well as their hosts. <sup>93</sup>
Enable skill verification and recognition	Skills recognition programs have proven a successful means for improving immigrants' labor market outcomes, and can be deployed to support refugee self-reliance. <sup>94</sup> One method for verification is to create one-stop centers for receiving assessment and verification.
<b>EXPAND RIGHTS FOR REFUGEES</b>	
Grant freedom of movement	Freedom of movement enables refugees to travel to meet labor demand and find work that better fits their skills and experience. A simulation of the impact of giving refugees in the Kakuma camp in Kenya shows that the impacts would be much more positive if refugees were free to move and integrate into labor markets throughout the country. <sup>95</sup>
Facilitate financial access	When immigrants or refugees have access to finance, they spend more, creating a stimulus for the economy. <sup>96</sup> Policies should grant legal access and lower de facto barriers.
Expand access to education	The average refugee is displaced for over 10 years and among those that are in protracted situations (i.e. have been displaced for over five years), the average is over 21 years. <sup>97</sup> To make greater contributions over the long run, they need access to education—through government systems where possible (with donor support).

▲ TABLE 1

KEY POLICIES	EXAMPLE OF POLICY IMPORTANCE
HELP HOSTS ADJUST	
Facilitate occupational upgrading	Short-term displacement of hosts often leads those hosts to upgrade to higher-paying occupations in the medium or long term. <sup>98</sup> Interventions that connect workers with geographically distant opportunities are a promising approach to facilitating upgrading and improving labor market outcomes. <sup>99</sup>
Support the most vulnerable host populations	Sometimes the most vulnerable hosts are the ones who are adversely affected by inflows of refugees or other migrants. <sup>100</sup> Safety net and other targeted programs could be implemented or strengthened to support them in the short term, while they adjust.
Support government spending on refugees	It takes time for refugees to become net fiscal contributors. <sup>101</sup> In the short term, donors can provide fiscal support or support government systems directly, as has been done successfully in Guinea, Jordan, and other countries. <sup>102</sup>
IMPLEMENT CROSSCUTTING POLICIES	
Respond to gender dynamics and promote gender equality	Women and men among both hosts and refugees are typically affected differently by refugee inflows and formalization, respectively. <sup>103</sup> To promote gender equality, policymakers should identify these differences and respond accordingly, such as with livelihoods programs targeted at women.
Secure workplace protections	Formal work does not guarantee the protections that should be granted with formal work—particularly for refugees. <sup>104</sup> Policymakers should address the gap between legal rights and practice through programs that, for example, create safe channels for workers to express grievances.
Jointly target hosts and refugees	There are vulnerable individuals in refugee, host, and other populations. The provision of support, such as assistance in finding employment, should apply to both refugees and hosts and potentially individuals with other status as well (e.g., IDPs).



**5**

**TIME FOR ACTION**

# TIME FOR ACTION



**GRANTING REFUGEES FORMAL LMA UNLOCKS A WIDE RANGE OF POTENTIAL BENEFITS: INCREASED SELF-RELIANCE AND STANDARDS OF LIVING FOR REFUGEES, IMPROVED LABOR MARKET OUTCOMES FOR HOSTS, GREATER TAX REVENUES, AND A MORE PRODUCTIVE ECONOMY.**

But it also comes with potential costs. Fortunately, key policies—including freedom of movement, programs to help hosts and refugees succeed in the labor market, improved access to various services for refugees, and fiscal support from donors—can mitigate these costs while enhancing the benefits.

Currently, many developing countries do not allow refugees to formally work and the benefits associated with formal LMA for refugees are largely unrealized. But we are in a window of opportunity for action.

In recent years, there has been growing recognition that refugees can benefit their host economies if allowed to work. There is also growing recognition that more refugees around the world are being displaced, and for longer periods of time. In search of more sustainable solutions, some countries have begun to extend formal LMA to refugees and others are considering doing the same.

In this context, we recommend that:

- **Governments** embrace international initiatives geared toward greater rights for refugees, such as the CRRF, to reap the benefits of increased donor support as well as the fiscal and economic contributions from refugees.

- When granting formal LMA, **governments and policymakers** design and implement policies that maximize benefits and mitigate costs, such as those discussed in this paper.
- **Civil society organizations** focus on formal LMA for refugees as a way to improve the economic situation for refugees and host communities alike.
- **Businesses** advocate for greater formal LMA for refugees in developing countries. As market leaders and innovators, they could have a uniquely powerful voice in discussions with governments.
- **Researchers** study the effects of formal LMA and complementary policies to help refine approaches that maximize benefits.

In this brief, we have presented the evidence for the benefits to providing formal LMA to refugees and the policies that can be implemented to make formal LMA work for all in the host country. Moving forward, policymakers, governments, civil society organizations, businesses, and experts can build on this evidence to collaborate and take action towards greater prosperity for refugees and hosts.

# NOTES

1. In most developed countries, refugees (and asylum seekers in the majority of countries) are granted formal LMA. Helbling, M., Bjerre, L., Römer, F., & Zobel, M. (2017). Measuring immigration policies: The IMPIC database. *European Political Science*, 16, 79-98.
2. In this paper, we refer to all individuals living in the host country before the arrival of refugees as “hosts.” This would include natives (people born in the host country), legal immigrants, and irregular migrants. However, when considering how formal LMA would impact hosts, we do not consider how it could differentially affect these groups. Rather, we primarily consider the effects for natives. There is reason to think that other groups would be impacted differently. For example, it may be that irregular immigrants benefit less from the formalization of refugee businesses than natives because they are less likely to be hired by formal businesses. However, most of the impacts would be the same. For example, all groups should benefit from the increase in consumer spending, the higher productivity of informal refugee businesses, and the improved fiscal effects (at least indirectly).
3. Clemens, M., Huang, C., Graham, J., & Gough, K. (2018). *Migration Is What You Make It: Seven Policy Decisions that Turned Challenges into Opportunities*. Washington, D.C.: Center for Global Development.
4. Del Carpio, X. V., & Wagner, M. (2015). The impact of Syrians refugees on the Turkish labor market.
5. UN. (2016). New York Declaration. Retrieved from: <https://refugeesmigrants.un.org/declaration>.
6. UNHCR. (2016). Comprehensive Refugee Response Framework: Delivering more comprehensive and predictable responses for refugees. Retrieved from: <http://www.unhcr.org/en-us/comprehensive-refugee-response-framework-crrf.html>.
7. Huang, C., Charles, S., Post, L., & Gough, K. (2018). *Tackling the Realities of Protracted Displacement: Case Studies on What's Working and Where We Can Do Better*. The Center for Global Development and the International Rescue Committee.
8. Huang, C., & Graham, J. (2018). *Are Refugees Located Near Urban Job Opportunities? An Analysis of Overlap Between Refugees and Major Urban Areas in Developing Countries, and Implications for Employment Opportunities and MNC Engagement*. Washington, D.C.: Center for Global Development.
9. The working paper can be found here: <https://www.cgdev.org/publication/economic-and-fiscal-effects-granting-refugees-formal-labor-market-access>.
10. For a summary of much of this literature, see: World Bank. (2018). *Moving for Prosperity: Global Migration and Labor Markets*. Policy Research Report. Washington, DC: World Bank.

For specific examples, see:

Clemens, M. A., & Hunt, J. (2018). The labor market effects of refugee waves: reconciling conflicting results. *ILR Review*, forthcoming; Card, D. (1990). The impact of the Mariel boatlift on the Miami labor market. *ILR Review*, 43(2), 245-257; Friedberg, R. M. (2001). *The impact of mass migration on the Israeli labor market*. *The Quarterly Journal*



of Economics, 116(4), 1373-1408; Hunt, J. (1992). The impact of the 1962 repatriates from Algeria on the French labor market. *ILR Review*, 45(3), 556-572; Angrist, J. D., & Kugler, A. D. (2003). Protective or counter-productive? Labour market institutions and the effect of immigration on EU hosts. *The Economic Journal*, 113(488), F302-F331; Carrington, W. J., & De Lima, P. J. (1996). The impact of 1970s repatriates from Africa on the Portuguese labor market. *ILR Review*, 49(2), 330-347; Fakh, A., & Ibrahim, M. (2016). The impact of Syrian refugees on the labor market in neighboring countries: empirical evidence from Jordan. *Defence and Peace Economics*, 27(1), 64-86; Fallah, B., Krafft, C., & Wahba, J. (2018). The Impact of Refugees on Employment and Wages in Jordan. *Economic Research Forum Working Paper Series*; Del Carpio, X. V., & Wagner, M. (2015). The impact of Syrians refugees on the Turkish labor market; Tumen, S. (2016). The economic impact of Syrian Refugees on host countries: Quasi-Experimental evidence from Turkey. *American Economic Review*, 106(5), 456-60; Ceritoglu, E., Yunculer, H. B. G., Torun, H., & Tumen, S. (2017). The impact of Syrian refugees on hosts' labor market outcomes in Turkey: evidence from a quasi-experimental design. *IZA Journal of Labor Policy*, 6(1), 5; Akgündüz, Y., Van den Berg, M., & Hassink, W. (2015). The impact of refugee crises on host labor markets: the case of the Syrian refugee crisis in Turkey. *IZA Discussion Paper Series*; Mansour, H. (2010). The effects of labor supply shocks on labor market outcomes: Evidence from the Israeli–Palestinian conflict. *Labour Economics*, 17(6), 930-939; Ruiz, I., & Vargas-Silva, C. (2015). The labour market consequences of hosting refugees. *Journal of Economic Geography*, 16(3), 667-694.

11. For example, research shows that a wave of refugees to West Germany following WWII that increased the population from 39 to 48 million had significant negative effects; on average, for every 10-percentage point increase in refugees, host unemployment rose by about 3 percentage points. But this result was driven by effects in labor market segments with a very high concentration of refugees and, more generally, by the relatively high similarity of the migrants and non-migrants specific to this setting. In segments where refugees accounted for less than 15 percent of the labor force, no effects were observed. In the long term, negative effects disappeared.

Braun, S., & Omar Mahmoud, T. (2014). The employment effects of immigration: evidence from the mass arrival of German expellees in postwar Germany. *The Journal of Economic History*, 74(1), 69-108.

12. For example:  
Cohen-Goldner, S., & Paserman, M. (2004). The dynamic impact of immigration on hosts' labor market outcomes: Evidence from Israel. *European Economic Review*, 55(8): 1027-1045; Braun, S., & Omar Mahmoud, T. (2014). The employment effects of immigration: evidence from the mass arrival of German expellees in postwar Germany.
13. Ottaviano, G. I., & Peri, G. (2012). Rethinking the effect of immigration on wages. *Journal of the European economic association*, 10(1), 152-197.
14. The recent inflow of refugees to Turkey illustrates the potential substitution and complementary effects. Overall, there was a minor average negative effect on employment, but the effects were not evenly distributed. While host workers with the least education experienced displacement, workers with “medium” educational attainment experienced no net loss in employment, while also experiencing an increase in formal employment rates. This is evidence of occupational upgrading. Del Carpio, X. V., & Wagner, M. (2015). The impact of Syrians refugees on the Turkish labor market.

# NOTES

15. Research finds that higher-skilled women tend to benefit from the greater availability of cheap domestic labor, which allows them to spend more time working outside the home. However, in Turkey, women were less likely to shift to the formal sector following the influx of refugees to the informal market, and were more likely to be displaced. Furtado, D., & Hock, H. (2010). Low skilled immigration and work-fertility tradeoffs among high skilled US hosts. *American Economic Review*, 100(2), 224-28; Barone, G., & Mocetti, S. (2011). With a little help from abroad: the effect of low-skilled immigration on the female labour supply. *Labour Economics*, 18(5), 664-675; Tan, P. L., & Gibson, J. (2013). Impact of Foreign Maids on Female Labor Force Participation in Malaysia. *Asian Economic Journal*, 27(2), 163-183; Cortes, P., & Pan, J. (2013). Outsourcing household production: Foreign domestic workers and host labor supply in Hong Kong. *Journal of Labor Economics*, 31(2), 327-371; Del Carpio, X. V., & Wagner, M. (2015). The impact of Syrians refugees on the Turkish labor market.
16. Clemens, M. A., & Hunt, J. (2018). The labor market effects of refugee waves: reconciling conflicting results.
17. Foged, M., & Peri, G. (2016). Immigrants' effect on host workers: New analysis on longitudinal data. *American Economic Journal: Applied Economics*, 8(2), 1-34.
18. The most comprehensive studies find that fiscal effects are typically positive, sometimes negative, and consistently close to zero when considered as a percent of GDP. Fewer studies have been conducted for the effects of refugee inflows specifically, but they also find that the fiscal effects of refugees are relatively small, eventually becoming positive.  
 Liebig, T., & Mo, J. (2013). The fiscal impact of immigration in OECD countries. *International Migration Outlook 2013*, 125, 189; Nowrasteh, A. (2015). The fiscal impact of immigration. *The Economics of Immigration: Market-Based Approaches, Social Science, and Public Policy*, 38, 69; OECD and ILO. (2018). *How Immigrants Contribute to Developing Countries' Economies*. Paris, France: International Labour Organization; Evans, W. N., & Fitzgerald, D. (2017). The economic and social outcomes of refugees in the United States: evidence from the ACS. *National Bureau of Economic Research Working Paper Series*.
19. Evans, W. N., & Fitzgerald, D. (2017). The economic and social outcomes of refugees in the United States: evidence from the ACS. *National Bureau of Economic Research Working Paper Series*.
20. Cortes, K. E. (2004). Are refugees different from economic immigrants? Some empirical evidence on the heterogeneity of immigrant groups in the United States. *Review of Economics and Statistics*, 86(2), 465-480.
21. Marbach, M., Hainmueller, J., & Hangartner, D. (2017). The Long-Term Impact of Employment Bans on the Economic Integration of Refugees. *Immigration Policy Lab Working Paper Series*; Rowthorn, R. (2008). The fiscal impact of immigration on the advanced economies. *Oxford Review of Economic Policy*, 24(3), 560-580; Bach, S., Brücker, H., Haan, P., Romiti, A., van Deuverden, K., & Weber, E. (2017). Refugee integration: A worthwhile investment. *DIW Economic Bulletin*, 7(3/4), 33-43; Storesletten, K. (2000). Sustaining fiscal policy through immigration. *Journal of political Economy*, 108(2), 300-323.

22. It is important to note that the provision of access to formal labor markets, in law and in practice, can take many different forms. In this section, we highlight the benefits of providing comprehensive formal LMA, as defined in Box 1. The closer provision is to our definition of formal LMA (i.e. the less restrictive LMA is), the greater the benefits will be. But, even short of our version of formal LMA, greater rights around work and business ownership enable greater benefits. Thus, the benefits we describe in this section could still come to fruition in the case of less comprehensive formal access, but would likely be of a lesser magnitude.
23. La Porta, R., & Shleifer, A. (2014). Informality and development. *Journal of Economic Perspectives*, 28(3), 109-26.
24. Kossoudji, S. A., & Cobb-Clark, D. A. (2002). Coming out of the shadows: Learning about legal status and wages from the legalized population. *Journal of Labor Economics*, 20(3), 598-628; Pan, Y. (2012). The impact of legal status on immigrants' earnings and human capital: Evidence from the IRCA 1986. *Journal of Labor Research*, 33(2), 119-142; Rivera-Batiz, F. L. (1999). Undocumented workers in the labor market: An analysis of the earnings of legal and illegal Mexican immigrants in the United States. *Journal of Population Economics*, 12(1), 91-116; Amuedo-Dorantes, C., Malo, M. A., & Muñoz-Bullón, F. (2013). New Evidence on the Impact of Legal Status on Immigrant Labor Market Performance: The Spanish Case. *Labour*, 27(1), 93-113.; Amuedo-Dorantes, C., Bansak, C., & Raphael, S. (2007). Gender differences in the labor market: Impact of IRCA. *American Economic Review*, 97(2), 412-416; Kaushal, N. (2006). Amnesty programs and the labor market outcomes of undocumented workers. *Journal of Human Resources*, 41(3), 631-647; Orrenius, P. M., & Zavodny, M. (2012). The economic consequences of amnesty for unauthorized immigrants. *Cato J.*, 32, 85; Steigleder, Q., & Sparber, C. (2017). The effect of legal status on immigrant wages and occupational skills. *Applied Economics Letters*, 24(2), 80-84; Hall, M., Greenman, E., & Farkas, G. (2010). Legal status and wage disparities for Mexican immigrants. *Social Forces*, 89(2), 491-513.; Lofstrom, M., Hill, L., & Hayes, J. (2013). Wage and mobility effects of legalization: evidence from the new immigrant survey. *Journal of Regional Science*, 53(1), 171-197.
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26. Devillanova, C., Fasani, F., & Frattini, T. (2014). Employment of Undocumented Immigrants and the Prospect of Legal Status: Evidence from an Amnesty Program. *ILR Review*, 0019793917743246; Orrenius, P. M., & Zavodny, M. (2012). The economic consequences of amnesty for unauthorized immigrants; Amuedo-Dorantes, C., Malo, M. A., & Muñoz-Bullón, F. (2013). New Evidence on the Impact of Legal Status on Immigrant Labor Market Performance: The Spanish Case.
- Some studies do find that formalization leads to lower employment rates, but argue that this is not necessarily a negative outcome—one example being that if wages are higher in formal work, the need for all family members to work may be reduced.
- Amuedo-Dorantes, C., Bansak, C., & Raphael, S. (2007). Gender differences in the labor market: Impact of IRCA.

# NOTES

27. For example:

Amuedo-Dorantes, C., Bansak, C., & Raphael, S. (2007). Gender differences in the labor market: Impact of IRCA; Pan, Y. (2012). The impact of legal status on immigrants' earnings and human capital: Evidence from the IRCA 1986; Méndez, F., Sepúlveda, F., & Valdés, N. (2016). Legalization and human capital accumulation.

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