

The Labor Market Impact of Forced Displacement

*Jobs in Host Communities in Colombia,
Ethiopia, Jordan, and Uganda*



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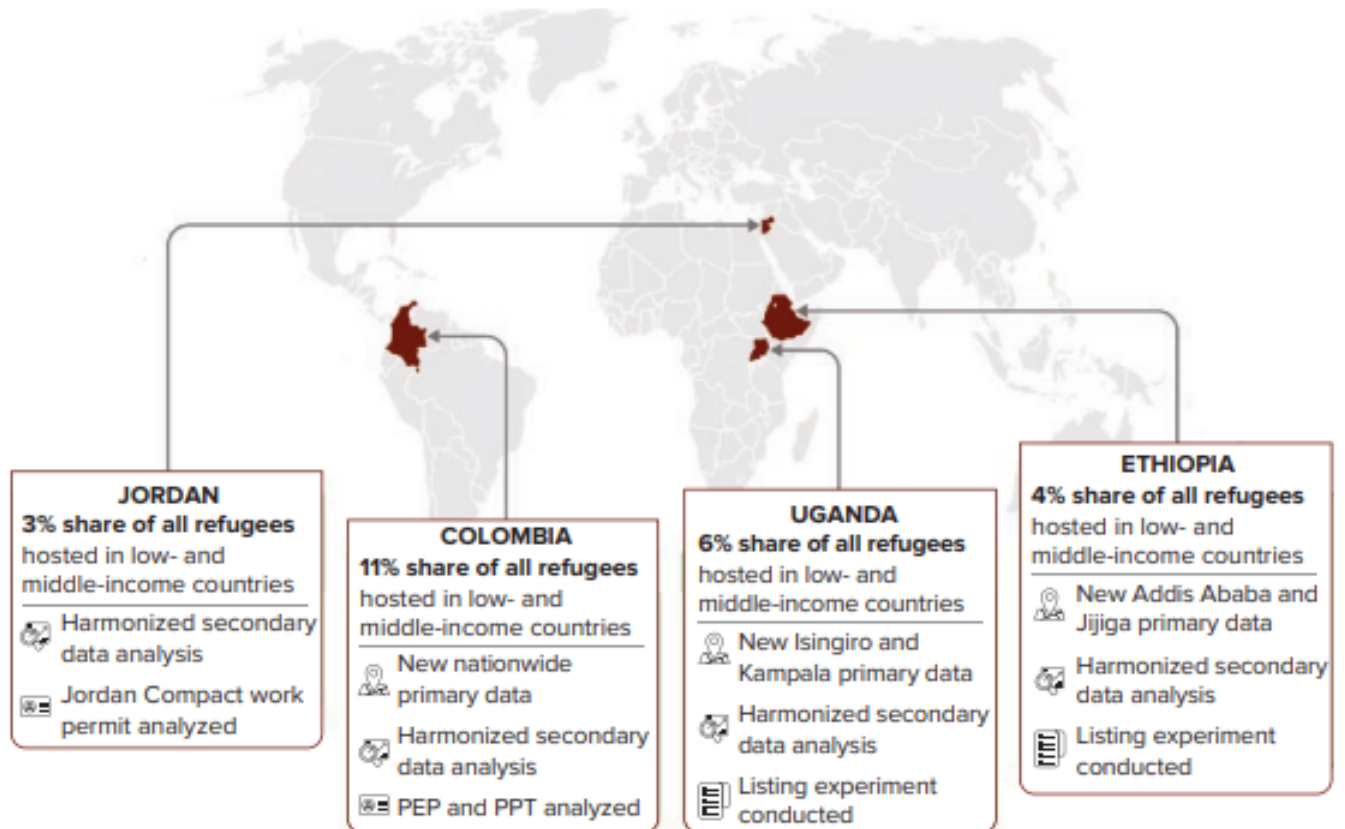
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Economic Inclusion Exchange East Africa
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Focus of the study

- Provide systematic empirical evidence on impacts across contexts and on how **impacts vary with economic structure and policy**.
- Collect and analyze data on hosts and refugee workers **side-by-side in the same labor markets** to help understand impacts.
- Gather experimental evidence to analyze how **labor market competition shapes hosts' perceptions of refugees**.

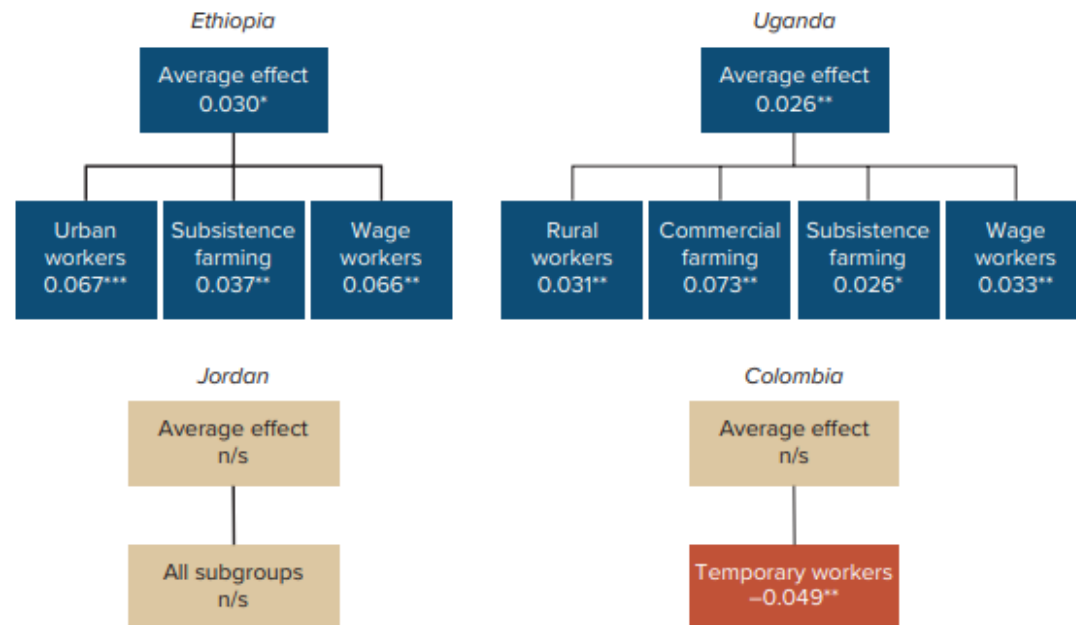
MAP ES.1 Analysis and data collection for this report



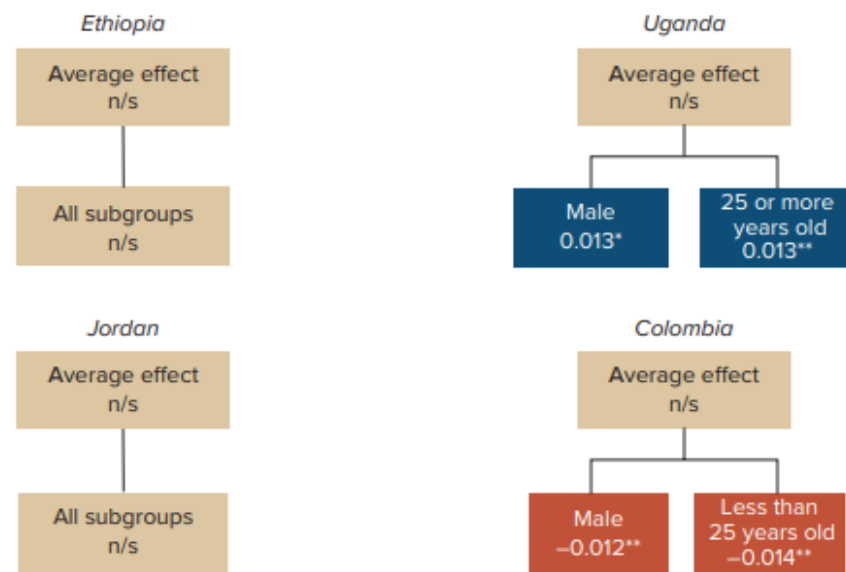
Impact on job outcomes in host communities

- In the four countries studied, the **overall labor market effects of hosting refugees are modest or even positive.**
- However, **some host country workers can be adversely affected** even as others enjoy new opportunities.

a. Effects on hosts' consumption or earnings



b. Effects on the employment rate among hosts

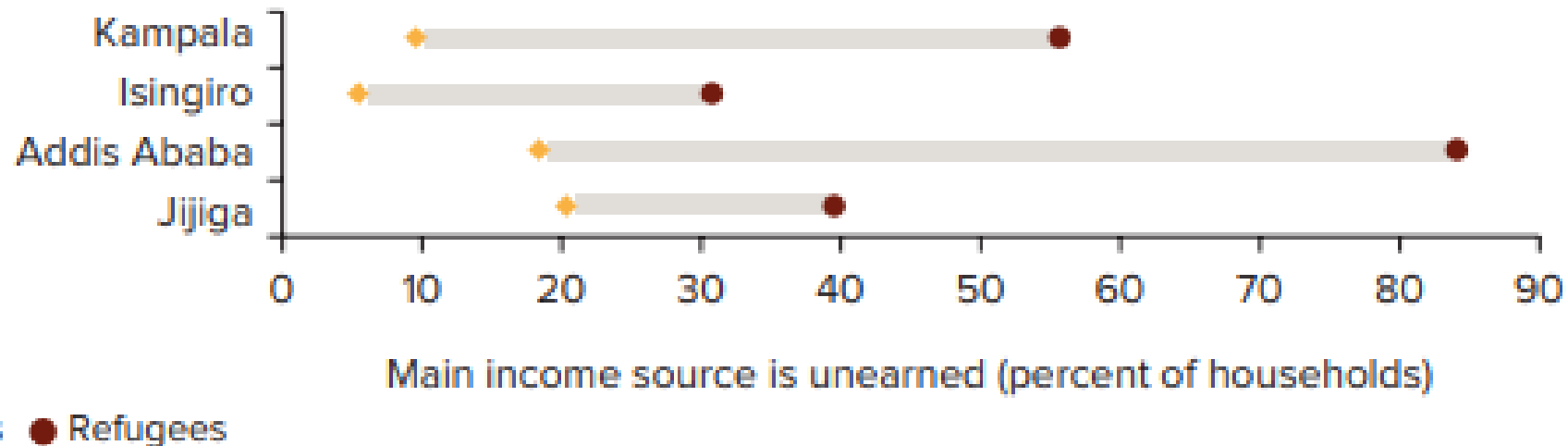


● Increase ● No significant effect ● Decrease

Impacts on hosts depend on refugees' role both as workers and consumers

- **Even in restrictive policy environments refugees work**, notably if they are not able to access sufficient financial support.
- Conversely, **even in liberal policy environments, many refugees depend on unearned income** and are purely consumers.

a. Many refugees rely on unearned income



Precarious situation of refugee households compels them to look for work even under restrictive policies and pushes them into more vulnerable, lower-income jobs

- **Larger households** (exception: Addis) → need to care for more HH members; **younger household heads** → lower wealth, and **more women among household heads** → gender differentials in skills and opportunities
- **Lower asset wealth, lower savings, and more debt** – notably if fled conflict; **poorer access to formal lending; build savings even more slowly** than hosts; those in rural areas worse off compared to those in capital
- **Earn lower incomes** than hosts across most or all activity types → more household members need to work
- Lag behind hosts in education and literacy only in Isingiro, but **professional skills are rarer** among refugees

Across a range of different labor markets, refugees have worse job outcomes

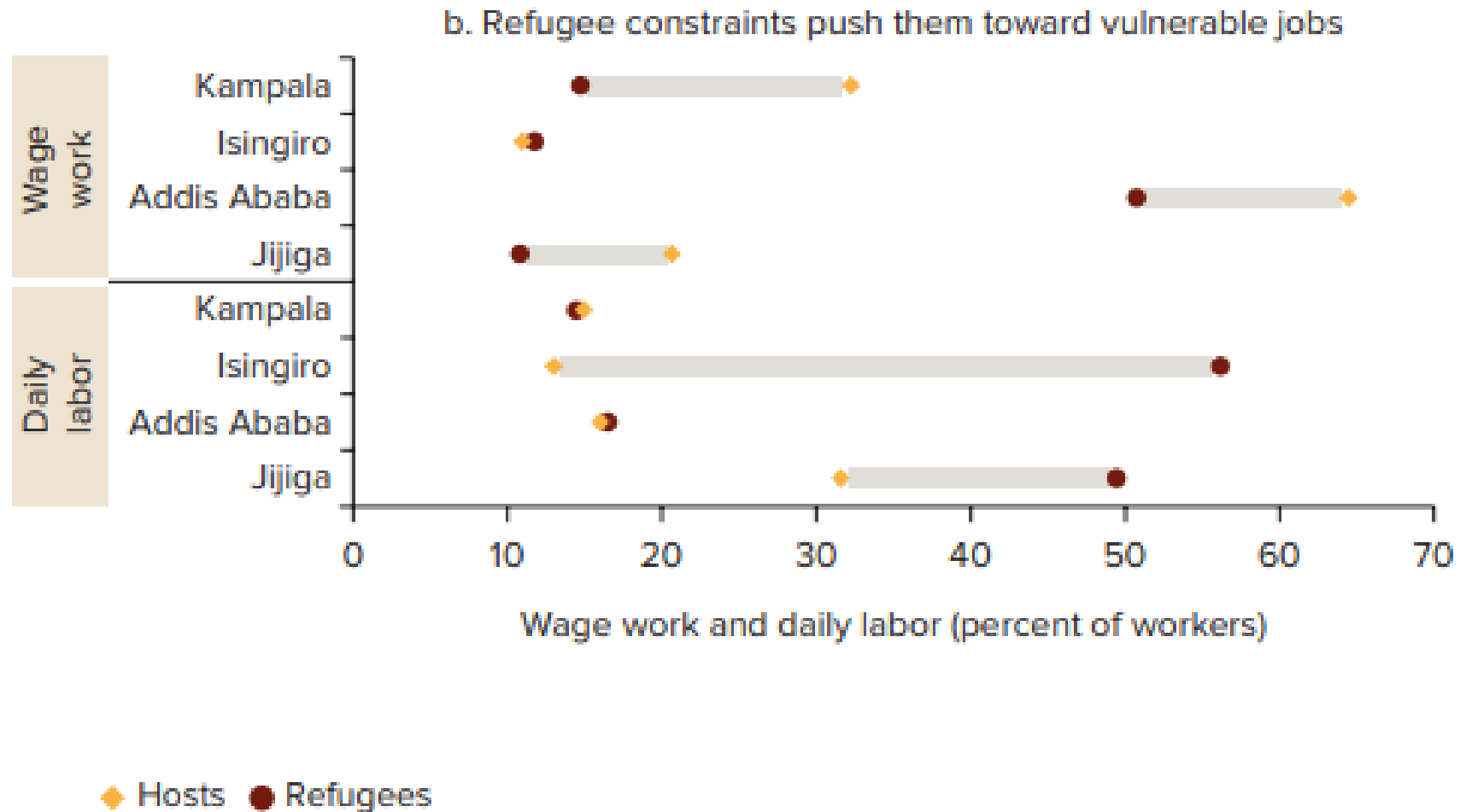
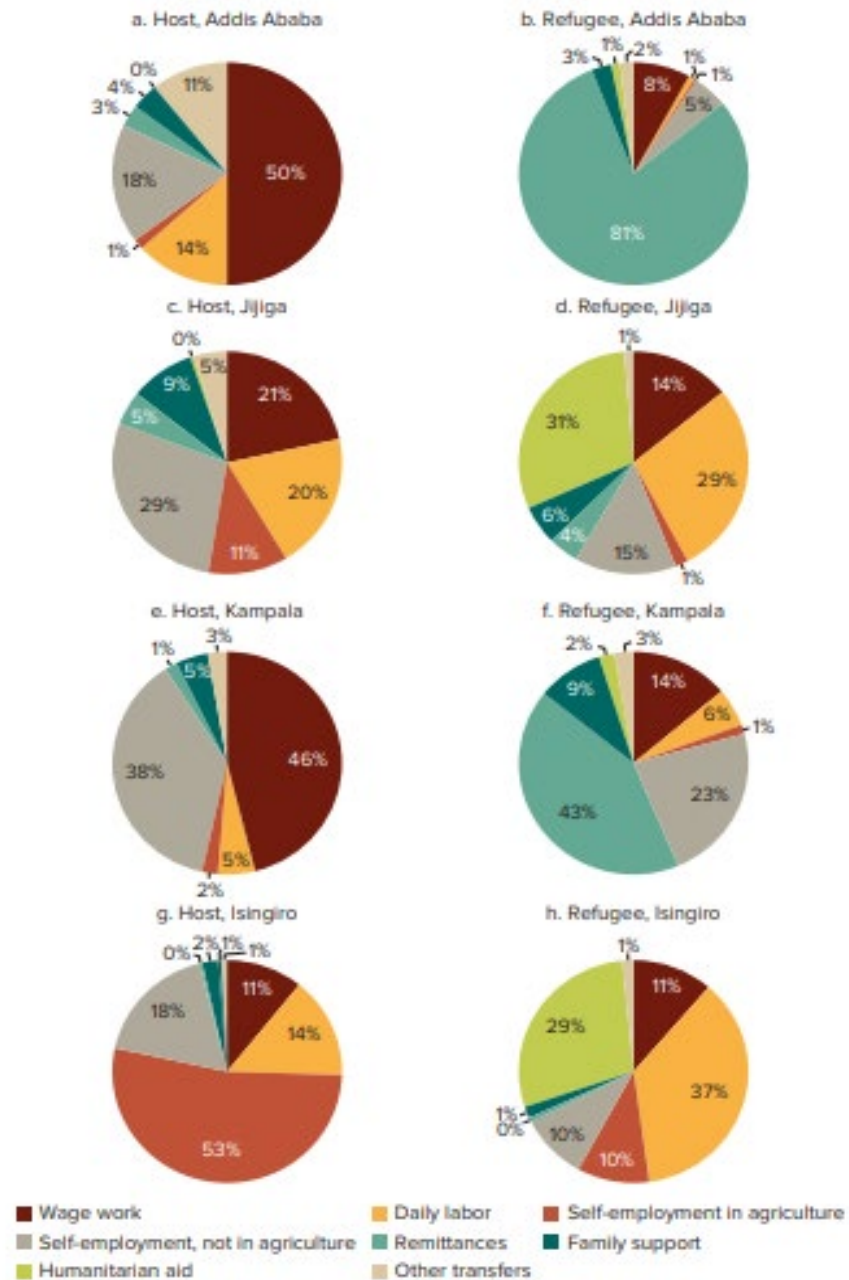


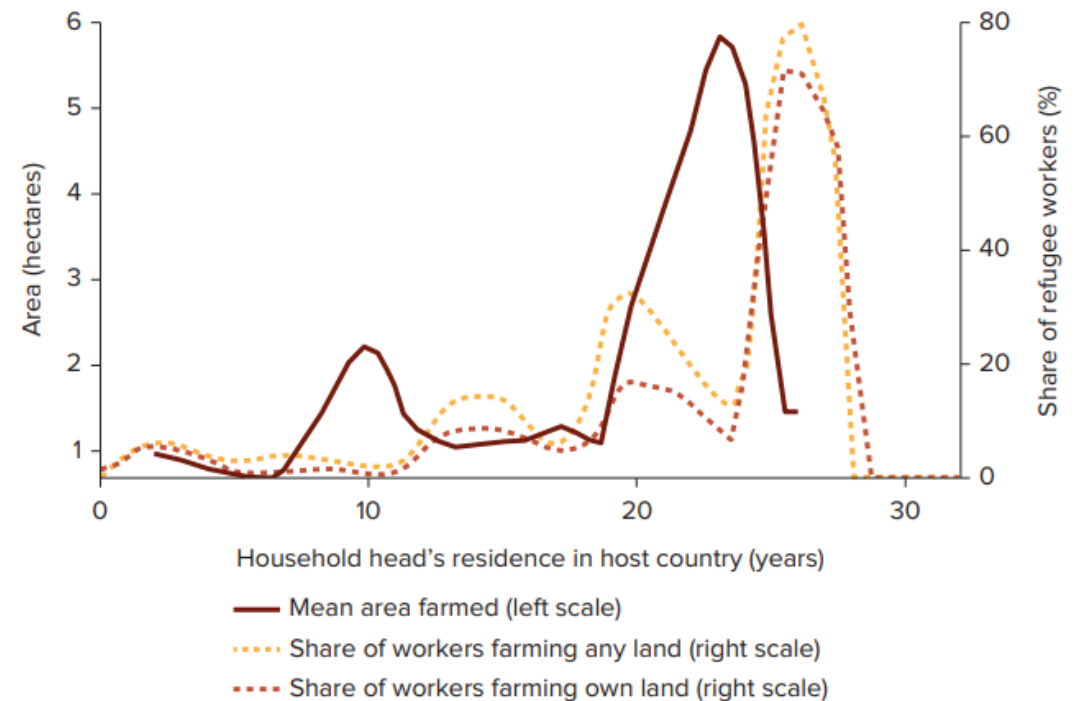
FIGURE 4.1 Principal household revenue sources, hosts and refugees, Ethiopia and Uganda



Source: Original figure for this report based on data from HHR-LMS Ethiopia and HHR-LMS Uganda.

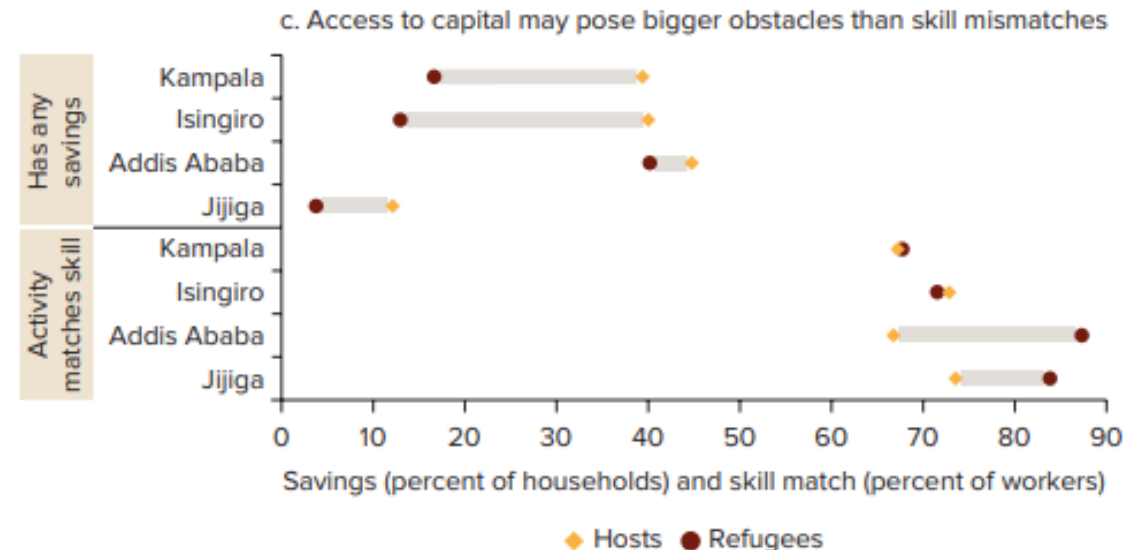
Labor market conditions shape refugee participation and impacts on hosts

FIGURE 4.25 Land use and ownership among refugees in Isingiro, by time of arrival in Uganda

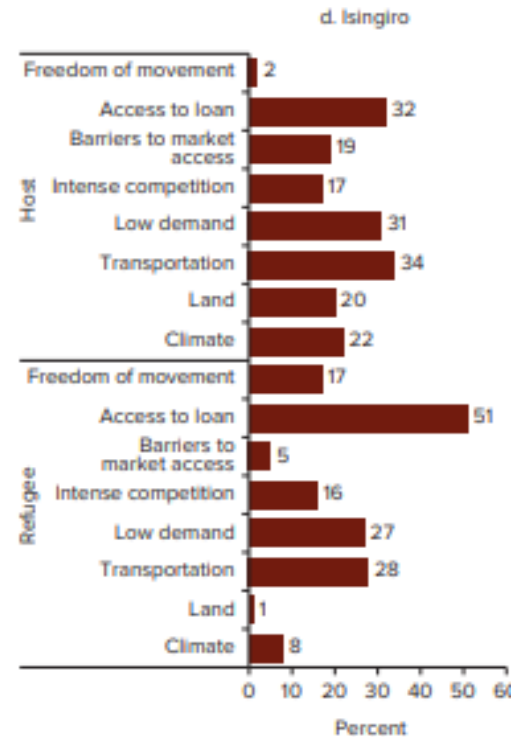
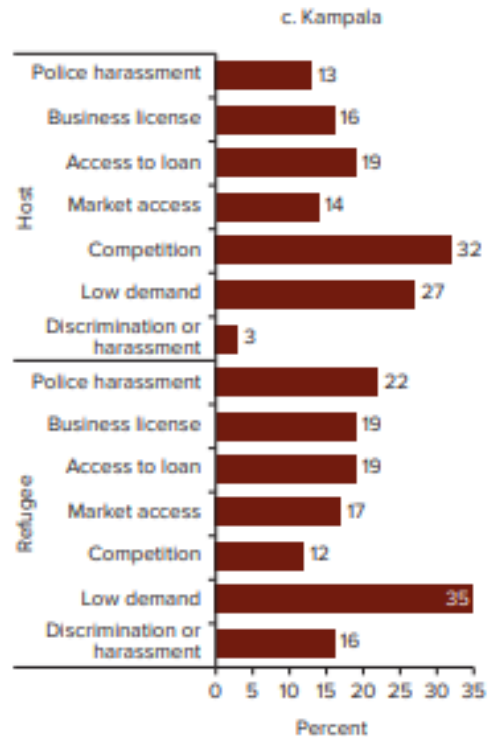
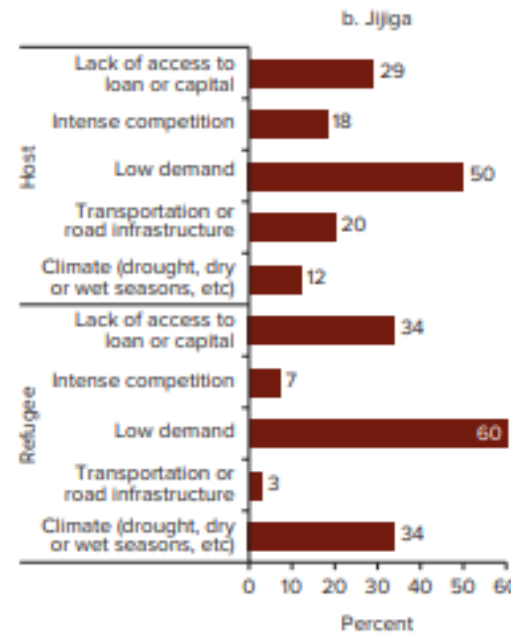
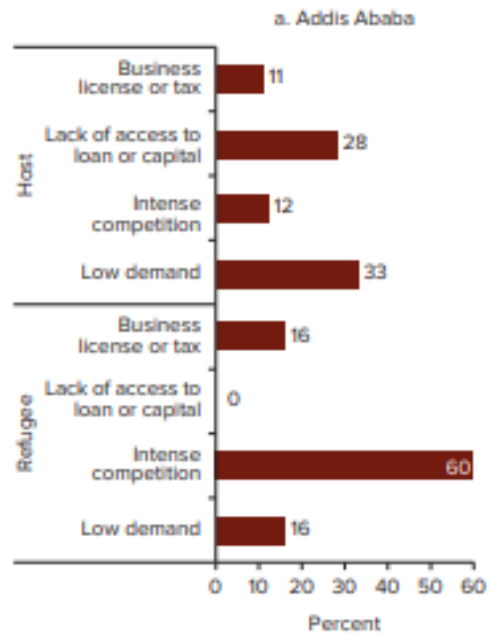


Refugees' assets and skills may both matter – but not equally in every environment

- In many host economies, most people engage in self-employment and household market activities. In such labor markets, **access to capital and land is critical** for refugees, who often lose assets during displacement.
- In the meantime, **refugees bring a demand boost to local consumer markets** that can offer important opportunities for self-employed host workers. Policies should support them in seizing these opportunities.
- **In lower-income economies, it can be difficult for refugees to bring skills that complement those of hosts** since economic activities are less diversified.
- In these environments, **refugees' job outcomes depend on access to capital and refugees' traditions, networks, and perceptions** more than skills.
- **language as a barrier** deserves policy attention

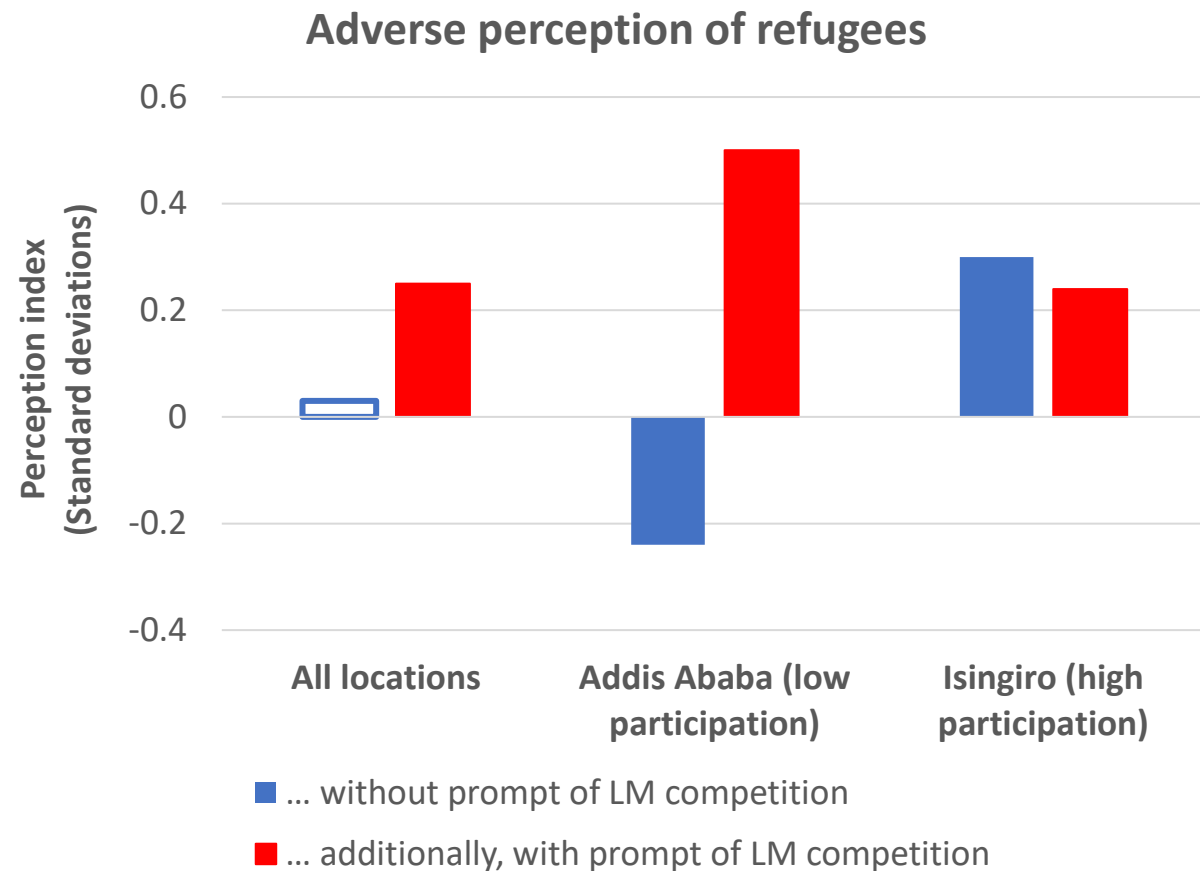


Refugees report additional obstacles in self-employed activities



- Entrepreneurs among hosts complain most about **poor access to capital, competition, low demand, and transportation** – with some differences between localities
- Refugee entrepreneurs have similar top concerns as hosts but **discrimination and harassment as well as freedom of movement** are important as well; importance of access to land and climate shocks varies with location likely due to different engagement in agriculture

Experimental evidence shows that worries about labor market competition shape hosts' views



Source: Bousquet et al. (forthcoming).

- Data collected in four labor markets in Ethiopia and Uganda.
- No bias among hosts toward refugees **without a prompt** suggesting labor market competition (across localities).
- Bias toward refugees rises significantly with the suggestion of **labor market competition**.
- This is the case both in a locality with high and one with almost no refugee labor market participation.
- Actual competition and **worries about competition** both matter for perceptions.

An analytical approach to assessing the impact of forced displacement on jobs for hosts

Guiding considerations:

- Assess opportunities, not just competition.
- Be realistic about the kinds of jobs hosts currently rely on, and do not overlook informal and casual work.
- Keep in mind that many refugees will work even in restrictive environments, but many will be inactive even in permissive ones.
- Do not underestimate the potential for change in local markets, but do not overestimate the potential for change in the overall economy.



Key question	Analytical steps
What kinds of jobs do hosts rely on?	<ul style="list-style-type: none">- Consider all income-generating activities, not just full-time, waged, or formal work.- Basic indicators: income level, sector of work, type of work, level of engagement.- Disaggregate for important labor market groups: gender, age, urban and rural localities, localities that host large and smaller numbers of refugees.
What is the likely impact of displacement on local market demand for goods and services?	<ul style="list-style-type: none">- How important is the number of refugees relative to local market size?- To what degree will refugees participate in the market (mobility and ability to access markets, reliance on food aid, access to earned and unearned income and savings)?- Distinguish between traded and non-traded goods and services:- are local markets in refugee-hosting areas integrated or likely to be supplied by local producers?
How are refugees likely to engage in the labor market?	<ul style="list-style-type: none">- Remember that self-employment is in many developing economies likely to be a key type of job.- Consider jobs refugees may look for: job profiles in home countries, jobs other migrant groups take, jobs hosts with similar profiles take.- Consider constraints: <i>de facto</i> policy restrictions, capital access as a constraint on self-employment, language barriers. Skill matches with common jobs in the host country.- Consider the scale of the likely shift in labor demand, relative to the size of the labor market.
What constraints do hosts face in seizing opportunities and adapting to competition?	<ul style="list-style-type: none">- Barriers to benefiting from additional market demand, including poor access to capital, land scarcity, poor availability of inputs, competition from imports.- Barriers to adapting to greater competition: capital constraints, skills, barriers to mobility, information.



Consider how different policy choices would change the picture

A framework for thinking through job impacts for hosts

Some implications: policy for better outcomes for hosts

- Hosting displaced workers can make winners and losers, but with **economy-wide benefits or net-zero effects**, those who lose out can be compensated.
- The arrival of displaced workers presents **opportunities that deserve policy attention** as much as competition does.
- **Distributional impacts** (usually) do not begin with changes to the policy regime – but they may shift as policy changes.
- Structural changes in host communities reflect a **‘move toward opportunity’** that policy could seek to support.
- The **food sector** may often be well-positioned to provide additional opportunities in host communities.

Some implications: policy for better outcomes for refugees

- The **characteristics of the host labor market** are critical in informing effective policy, so that support enables hosts and refugees to seize real labor and product market demand.
- Refugees are likely to face substantial **capital constraints**, limiting the ability to establish and succeed in self-employed activities.
- Skill and **skill matches** may play a role in helping refugees do better in their working lives, but perhaps not in obvious ways – policy needs to be based on a careful assessment.
- In labor markets with significant formal employment and vigorous labor demand, **work permits** are likely to be an important tool in promoting better outcomes for refugees.
- Even where they do not increase access to formal jobs in practice, work permits can greatly benefit refugees – but **complementary policies** will likely be needed.
- Both **development investments** in host communities and **effective messaging** on the place of refugees in the labor market could help lessen adverse views among hosts toward displaced workers.

Thank you



Building the Evidence on Forced Displacement

