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EXECUTIVE SUMMARY

The Labor Market Impact of Forced Displacement

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

WORLD BANK GROUP

Jan von der Goltz, Kirsten Schuettler, Julie Bousquet, and Tewodros Aragie Kebede

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Main Messages

The overall labor market effects of hosting refugees are modest, or even positive, in the countries studied, although some host country workers can be adversely affected even as others enjoy new opportunities.

- On average, and in a context of aid and government investments, host community workers either are unaffected or benefit from the opportunities brought by the arrival of refugees.
- However, in important instances, groups of host workers face adversity from greater labor market competition, while others benefit. Those who lose out are sometimes, but not always, vulnerable groups.
- Effective policies are needed to assist harmed host workers. Because overall effects tend to be mild and some groups benefit, such policies are likely to be feasible.

Refugees find ways to work even in host countries that restrict labor market access, but policies have important repercussions on how refugees participate in the labor market.

- Many refugees face significant financial challenges, so they must find ways to work, even in restrictive policy environments.
- Refugees often face difficulties in finding good jobs, even in liberal policy environments, and therefore must rely on unearned income from humanitarian aid or remittances.
- Labor market integration policies help shape the kind of work refugees do and the quality of jobs they can access.

Policies to integrate refugees into the economy affect which groups of host workers face competition and which gain opportunities, but competition may not start with these policy choices.

- Greater labor market access for refugees will usually expose some groups of host workers to increased competition in the labor market.
- However, more open access may also lessen competition for other groups of host workers. Granting refugees the legal right to work can reduce competition for host workers in informal jobs, for instance, while granting freedom of movement can reduce competition in localities near camps.

In host countries in which self-employment is a major source of jobs, two policy goals are key: helping refugees access capital and helping hosts seize new market opportunities.

- 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, the demand boost that refugees bring to local consumer markets can offer important opportunities for self-employed host workers. Policies should support them in seizing these opportunities.

In host communities in which economic activities are less diversified, it is difficult for refugees to bring skills that complement those of hosts.

- In high-income economies, refugees and hosts can expect better job outcomes when skills among the two groups complement each other.
- However, labor markets are less diversified in many lower-income countries, and a few common activities provide livelihoods for most people. Refugees therefore often find themselves doing the same types of work as host workers.
- In these environments, refugees' access to capital and refugees' traditions, networks, and perceptions may determine their work more than their skills.

Hosts' attitudes toward refugees may depend on worries about job competition, both in localities where there is significant competition and in localities where there is less.

- Policies to welcome refugees into local economies will be sustainable only if they are acceptable to host workers.
- Experimental evidence from Ethiopia and Uganda shows that host workers' views of refugees depend on whether there are concerns about job competition, regardless of the actual degree of competition.
- To promote welcoming attitudes, policy needs to provide effective support to host workers, communicate well about the labor market participation of refugees, and encourage opportunities for personal interaction and perspective-taking.

Globally, most refugees live in low- and middle-income economies. Policies designed for high-income countries may not be appropriate for these labor markets.

- Low- and middle-income countries harbor three times as many refugees as high-income countries.
- Effective policy must reflect and be tailored to job markets in host countries.
- Policy analysis must especially take account of the self-employment and informal activities many hosts depend on.

Thoughtful policy toward greater economic integration can improve refugee livelihoods while ensuring job opportunities for hosts.

- Although some host workers face greater competition, hosting refugees also brings important opportunities, and policies can compensate those adversely affected.
- At the same time, greater economic integration can make a profound difference for refugees and allow them to rebuild their lives.
- Policies based squarely in the realities of host country labor markets can balance these two goals.

Executive Summary

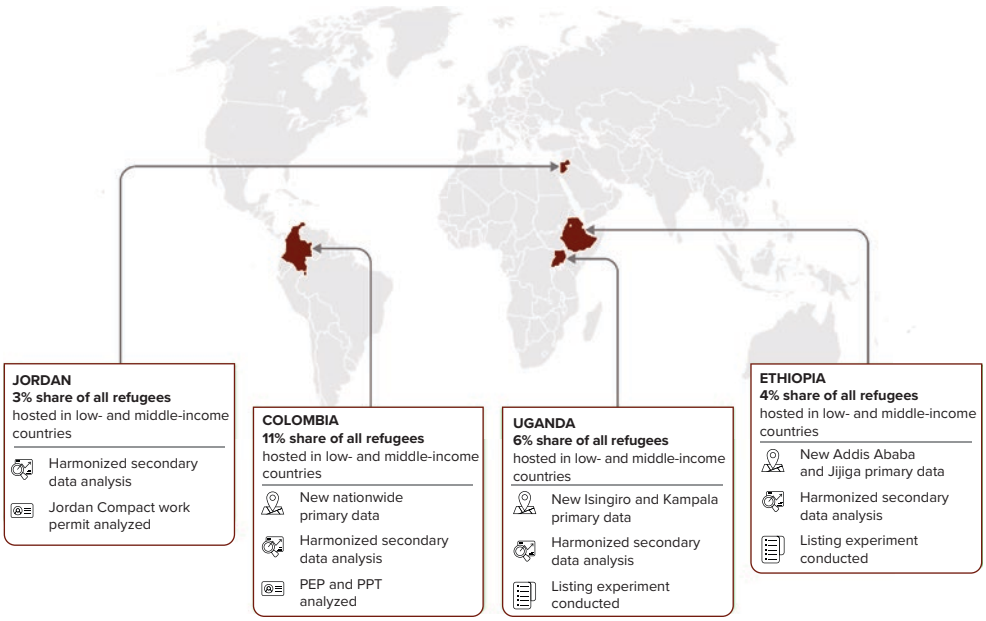
What questions does this report address?

This report helps provide an understanding of how displacement affects job outcomes in host communities in low- and middle-income countries and identifies ways to support better job opportunities for hosts and refugees. Forced displacement is at its highest since World War II, with 37.8 million refugees displaced internationally as of mid-2022. For many refugees, displacement has lasted a long time, and—because few refugees have returned to their homes in recent years—policies focus on how to integrate them into the economies of host communities. This policy direction, in turn, raises questions and concerns about the potential negative effects on job prospects for host workers. Public debate tends to focus on refugees who settle in high-income countries, yet low- and middle-income countries host three of every four refugees. This report looks at job outcomes for hosts and refugees in these economies and seeks to identify policy directions to support both refugee and host workers.

Despite much recent research on how forced displacement affects job outcomes, significant knowledge gaps remain. To promote confident policy making, this report focuses on addressing two particularly important gaps by doing the following:

- *Providing systematic empirical evidence that compares how forced displacement and policy toward economic integration affect job outcomes across different countries and contexts.* Effects on job outcomes vary with factors such as the structure of the host labor market, the political economy and regulatory setting, the number and geographical distribution of displaced people, and their capabilities as employed or self-employed workers. However, most evidence is limited to single-country case studies using idiosyncratic data and methods. This report focuses on enabling comparisons.

MAP ES.1 Analysis and data collection for this report



Source: Original map for this report.
Note: PEP = Special Permanence Permit; PPT = Temporary Protection Permit.

- *Strengthening the understanding of the mechanisms through which hosting displaced workers affects job outcomes to better inform policy making.* Numerous mechanisms have been proposed, including skills complementarities between workers, aid and public investment flows, changes to market demand, and factors that facilitate or limit the ability of host workers to adapt. However, lack of data limits how well these issues can be studied to inform policy.

This report studies job outcomes in host communities in Colombia, Ethiopia, Jordan, and Uganda. These four countries are all among the top host countries worldwide, and together they account they for 24 percent of refugees or other people in need of international protection who live in low- or middle-income countries. Map ES.1 shows the economies included and explains what analytical work was done in each of them. They were chosen with an eye toward allowing for comparisons across contexts that can inform policy. They represent both low-income countries (Ethiopia and Uganda) and middle-income countries

Colombia, Ethiopia, Jordan, and Uganda are all among the top host countries worldwide, and together they account for 24 percent of refugees or other people in need of international protection who live in low- or middle-income countries.

(Colombia and Jordan) as well as, within each income group, one country with a more liberal labor market access regime for refugees (Colombia and Uganda) and another that has opened up more cautiously (Ethiopia and Jordan); table ES.1 provides an overview of these characteristics. After studying how displacement affects job outcomes in host communities within each country, the report offers comparative perspectives.

To facilitate clearer comparisons between countries, this report uses a harmonized approach to analyze how forced displacement has changed job outcomes in each of the four host countries. The report relies on standard research methods but places special emphasis on applying them consistently across the four countries. This harmonized approach limits variations in the analytical process to highlight differences in country context. The goal is to facilitate more compelling qualitative comparisons of forced displacement repercussions across economies than previous studies allow. The analysis shows results for the entire labor force as well as for important groups of workers. Because job outcomes are complex, the report further considers a range of outcome measures, including welfare proxies, measures of labor market participation and job quality, and proxies for structural economic shifts.

TABLE ES.1 Characteristics of displacement in case study countries

Characteristic	Ethiopia	Uganda	Colombia	Jordan
Registered refugees and asylum seekers	0.8 million refugees (1 percent of host population) from Eritrea, South Sudan, and Sudan	1.5 million refugees (3 percent of host population) from Burundi, Democratic Republic of Congo, Somalia, and South Sudan	2.5 million Venezuelans in need of international protection (5 percent of host population)	0.7 million Syrian refugees (7 percent of host population) out of 3 million Iraqi, Palestinian, and Syrian refugees
Residence time (median)	Addis Ababa: 4 years Jijiga: 31 years	Kampala: 4 years Isingiro: 9 years	4 years	8–9 years
Policies toward labor market participation and freedom of movement	• Previously highly restrictive (must live in camps, not allowed to work) • Since 2010, out-of-camp policy for Eritrean refugees; informal work around camps supported since 2012; since 2016, further out-of-camp and work permits planned	• Refugees allowed to work and move freely (but services limited to settlements) • Allocation of land in settlements, but size and quality of plots decreasing with time	• Venezuelans allowed to move freely • Introduction of a residence permit for Venezuelans including right to work in 2017 (PEP) and a longer residence permit in 2021 (PPT)	• Syrian refugees allowed to move freely • Introduction of Jordan Compact granting work permits to Syrian refugees in 2016
Camps and settlements; urban versus rural	About 90 percent of refugees in camps; 10 percent in Addis Ababa (mostly Eritreans)	90 percent of refugees in rural settlements; 7 percent in Kampala	No camps or settlements; about 90 percent of Venezuelans in urban areas	About 26 percent of Syrian refugees in camps; about 71 percent in urban areas

Source: Original table for this report.
Note: PEP = Special Permanence Permit; PPT = Temporary Protection Permit.

Labor markets are diverse, and refugees and their hosts engage with the market and with each other in complex ways. To inform policy choices, this report explores in detail the conduits through which host and refugee workers affect each other's job outcomes. In Ethiopia and Uganda, novel data sets designed and collected for this report are used to compare hosts and refugees in select labor markets in a way that national data do not usually permit. The report offers additional perspectives on Colombia and Jordan using labor market data collected for this report in Colombia and rich publicly available data in Jordan.

"Special Topic 1: The Impact of Work Permits on Job Outcomes for Hosts and Refugees" summarizes new results from studies commissioned for this report on how three well-known work permit schemes in the two middle-income countries affect job outcomes among hosts. These schemes include the Jordan Compact, which created access for Syrian refugees to some formal sector jobs in selected industries, and Colombia's Special Permanence Permit and Temporary Protection Permit, two large permit programs to regularize Venezuelan refugee access to formal jobs. The study of the Temporary Protection Permit relies on novel data collected for this report, and results on the Jordan Compact and the Temporary Protection Permit are new additions to the literature.

Although the report focuses on actual job impacts, "Special Topic 2: The Role of Perceived Labor Market Competition in Shaping Attitudes toward Refugees" studies the role of perceptions. An inflow of refugees affects host communities in many ways other than through the labor market. Thus, studies have assessed effects on prices, public services such as education or health, natural resources, and environmental degradation. All these repercussions influence public perceptions and attitudes toward refugees, which, in turn, affect social cohesion and public support for refugee policies. At the same time, public perceptions related to displacement may differ from actual measured effects. Against this backdrop, the report commissioned a framing experiment in the two low-income focus countries to explore whether and how perceived and actual labor market competition shape host and refugee perceptions of each other.

Summary of empirical results

How does forced displacement affect job outcomes for hosts?

Across the four economies studied, overall effects on jobs in refugee-hosting communities are modest or even positive. In each of the four economies, displacement leads to no aggregate change in proxy variables for welfare in host communities, or sometimes even leads to gains: in low-income countries, average consumption increased about 3 percent with a doubling of the number of

refugees hosted (figure ES.1). Similarly, despite concerns over potential job competition, there is little evidence of overall adverse effects on employment in host communities, and some indications of short-term gains. Importantly, these results come in the context of significant international support to host countries; it is not clear what the impact of displacement would have been without support. Overall, the results are broadly in line with the existing empirical literature: although certain groups of host workers can face greater labor competition, hosting refugees affects host workers less negatively than often expected.[1]

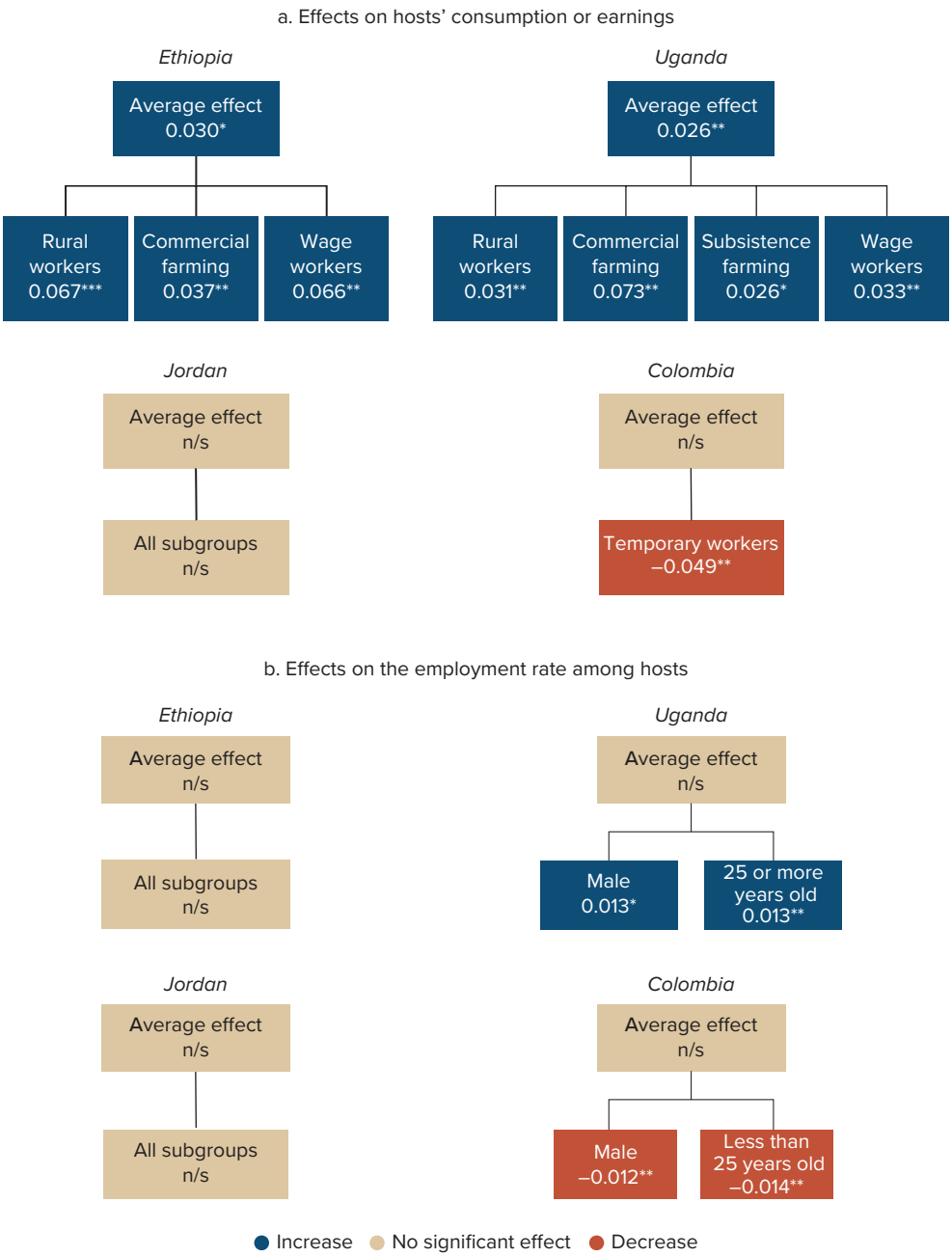
However, hosting refugees changes labor markets, and even where the aggregate effect of hosting displaced workers is positive, some groups of workers experience declines in consumption, earnings, or activity levels; that is, in some cases, although there are "winners" in refugee-hosting communities, there are also people who lose. For instance, in Uganda, urban workers in host communities experienced an estimated 4 percent decline in consumption (within the statistical margin of error), offset by a 3 percent gain among rural workers. In Colombia, although there is no effect on overall employment, youth employment is estimated to have decreased by 1 percentage point with a doubling of the number of refugees hosted (figure ES.1).

Shifts in sector and type of activity are modest and often mirror changes in consumption and income among workers engaged in the different activities. This correspondence indicates that host workers adapt to opportunities and challenges arising from hosting displaced groups. In Colombia and Uganda, sectoral shifts into agriculture of 1 percentage point of all employment are seen alongside benefits to those active in agriculture. In Jordan, the data show a shift of 2 percentage points from wage employment, where mean earnings declined, into temporary work, where mean earnings increased. Across countries, these structural shifts are typically small, which is perhaps unsurprising given that even large refugee inflows are of relatively modest size compared with the size of the overall host labor force.

In the four economies analyzed, host workers in the agriculture sector often benefit as displaced persons increase consumer demand for food. Ethiopian and Ugandan farmers record significant consumption gains, alongside an increase in market-oriented farming activities in Uganda. Gains are also seen in Colombia and Jordan, but they are statistically within the margin of error. The preponderance of positive effects in agriculture—more clearly observed in economies more open to refugee participation—points to the importance of how increased product market demand improves job outcomes for some in lower-income countries.

Comparative analysis does not yield many predictions about which groups are likely to enjoy opportunities and which are likely to face competition, underscoring the importance of tracking local impacts. Across many groups of workers studied, there are few clear patterns of positive and adverse impacts beyond

FIGURE ES.1 How does forced displacement affect job outcomes for hosts?



Source: World Bank.
Note: n/s = not significant.
$^{*}p < .05$, $^{**}p < .01$, $^{***}p < .001$

the patterns of adaptation and opportunity in agriculture. Vulnerable groups of workers, such as younger workers and women, are sometimes affected more, but not in all instances. Similarly, although the report cannot conclusively analyze distributional impacts, it finds no evidence that households with low asset wealth are systematically more affected than those who are better off. With few general patterns in distributional impacts, policy must rely on effective analysis of local contexts. Chapter 5 provides guidance on job analysis to help identify risks of competition as well as opportunities.

What effect do work permit schemes have on hosts' and refugees' job outcomes?

Many legal, social, and economic factors determine the degree to which refugees are active in the economy. One important dimension that attracts much policy attention is the right to work, often granted through formal work permits. Despite their prominence, work permits are not always decisive for participation in low- and middle-income countries. For instance, where most economic activity is informal, finding paid work without a permit is possible; and, where most jobs are in self-employment, permits may matter little in the absence of access to capital. However, at least in middle-income countries, work permits can facilitate access to good formal sector jobs. Perhaps as important, even in lower-income economies with little formal work, permit programs can put refugee workers on an equal footing with hosts in the informal sector and raise their bargaining power and ability to defend their rights.

Work permit policies show little overall effect on host workers' earnings, but they change which workers face competition.

Work permit policies show little overall effect on host workers' earnings, but they change which workers face competition. Jordan's work permit program was associated with small effects on job outcomes for hosts in its early days—some positive and some adverse—while two programs in Colombia showed no adverse effects. In its first year, the Jordan Compact—the first program to allow limited loosening of Jordan's stringent policy toward refugee participation in the formal labor market—is estimated to have increased formal wage earnings for host workers by 4 percent, albeit with a slight drop in the share of formal employment of 1 percentage point. Notably, there is no evidence of adverse aggregate effects on employment or unemployment rates, nor on overall earnings. The two permit programs studied in Colombia substantially expanded access to formal jobs in labor markets in which many refugees were already informally active. Neither is associated with perceptible adverse aggregate job outcomes for hosts across a range of activity, earnings, and formality indicators, in line with the results of a previous study on the first residence permit in Colombia (Bahar, Ibáñez, and Rozo 2021).

For displaced workers, the more generous work permit program in Colombia led to large wage gains, shifts into wage work, and earnings increases for those who remained self-employed. The second, longer-term permit program in Colombia illustrates the promise such programs hold for improving job outcomes for refugees. Refugees who received permits reported large wage gains of about one-third, echoing results of an earlier study of the first residence permit program (Ibáñez et al. 2022). Further, access to work permits clearly expanded refugees' choices in the labor market. Refugees who received their first permit through this second program (rather than switching from a previous permit) showed a large shift out of self-employment of 12 percentage points, whereas those who remained self-employed saw large gains in earnings of about one-third and one-quarter, respectively.

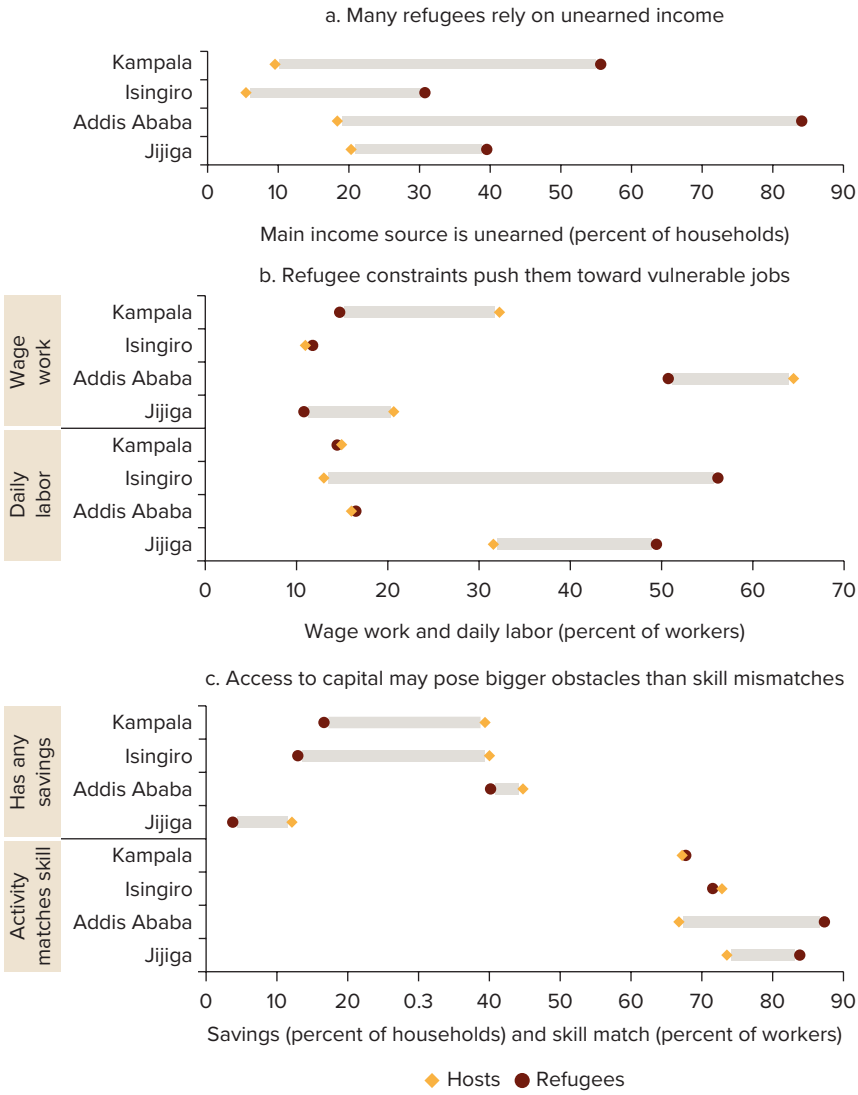
In what ways does refugee participation in the economy shape job outcomes for hosts?

Policy shapes refugee participation but does not completely determine it: many refugees work even in restrictive labor markets, and many refugees depend on unearned income even in countries with liberal refugee work policies. However, policy restrictions on refugee participation in the economy clearly have significant effects in middle-income labor markets, and they are at least partially effective even in highly informal labor markets, such as Ethiopia and Uganda. Among the localities studied, refugees are far more likely to work where there are relatively liberal rules. However, a substantial number of refugees work even in more restrictive labor markets. For instance, refugee labor force participation in the two localities studied in Ethiopia is 42 percent—far below the 64 percent participation for host workers, but substantial in the context of relatively restrictive policies. Conversely, refugees depend heavily on unearned income even in less restrictive labor markets: 57 percent of refugees in Kampala, for instance, rely primarily on unearned income compared with 8 percent of host workers.

Many refugee households draw upon unearned income, and many consume in local markets, highlighting opportunities that arise for hosts from higher market demand. Across the low-income labor markets studied, refugees are far less likely to be active and employed than hosts (figure ES.2). Displacement itself is the most obvious reason for low activity among refugees, rather than differences in demographics, education, or other characteristics. At the same time, many refugee households use earned or unearned income to buy local goods and services. Thus, many refugee households are solely consumers in their host economies, but even those that compete in the labor market contribute to market demand.

Refugee constraints push them toward vulnerable and lower-income jobs, creating specific patterns of competition and opportunities for hosts.

FIGURE ES.2 In what ways does the refugee labor market situation shape job outcomes for hosts?



Source: World Bank calculations, based on data collected for this report.

Across the economies studied, refugees face more constraints than hosts and are more likely to work in vulnerable jobs. Consistently, refugees are less active in the kinds of jobs most hosts hold, even when their activity profiles before displacement are similar to those of hosts. Thus, they are less likely to hold wage jobs where such jobs are common or to be self-employed (including as farmers) where this kind of work is the chief income source for hosts.

Conversely, vulnerable daily labor plays a greater role for refugees than for hosts (figure ES.2), as does informal work in middle-income countries. This is the case even in the more liberal labor markets studied, although the large benefits refugees derive from the work permit programs in Colombia show that policies play an important role in shaping refugee outcomes. The limited range of job choices is usually reflected in lower earnings; in the low-income labor markets and in Jordan, median refugee earnings can be as low as half that of hosts.

Few refugees bring assets when displaced, and refugee households have lower savings and accumulate assets more slowly, likely hampering their ability to establish self-employment. Across contexts, refugees report lower asset wealth (sometimes by very wide margins), lower savings, more debt, and more limited access to formal lending. In Kampala, for instance, there is a gap of 0.15 standard deviation in an index of asset wealth, gaps of 26 percentage points in savings and debt (figure ES.2), and a 16-percentage-point difference in use of formal borrowing. In low-income countries, accumulating savings is slow and difficult, and the ability to bring some household assets when seeking refuge may have decisive implications for future work. However, only about one in seven refugee households in Ethiopia and Uganda had the opportunity to sell assets when first displaced, and far fewer brought cash savings. Further, there is little evidence that refugees catch up to hosts in accumulating assets. These facts suggest that refugees face considerable additional barriers to establishing self-employed activities, a key source of jobs and incomes, particularly in low-income labor markets.

Self-employed refugees in Ethiopia and Uganda invest less than hosts, hire fewer workers from outside their households, contend with additional obstacles, and tend to have lower revenue. In these two low-income countries, refugees with self-employed activities outside of agriculture invest less than hosts in business activities, with a gap of up to 40 percent in Uganda. Whereas most self-employed workers rely on savings or loans from family and friends, only hosts borrow from formal lenders. Hosts and refugees share key business concerns—access to funding, finding customers, and transporting goods—but refugees face additional obstacles, such as harassment, that reflect the harshness of the business environment. Those self-employed in agriculture face greater challenges in accessing land and are much less likely to produce for the market—by a margin of 30 percentage points in Uganda's rural Isingiro district, for instance.

Among refugee workers, skills match with jobs surprisingly well, but the degree of matching may have a lower bearing on job quality in lower-income countries than in wealthier economies. Refugees and hosts across the four economies largely report similarly good skill matches, and overlap between top skills and current activities is substantial. This is not to say that skills always match, especially for women, but there is little indication of an additional gap

for refugees. It is possible, however, that, even where the overall activity apparently matches, the specific tasks refugees carry out may match their skills less well. Furthermore, it is worth recalling that refugees in the study localities tend to have lower revenues and work more precarious jobs, arguably more important dimensions of job quality than skill matches. In addition, language is a significant barrier for many refugees, limiting their ability to perform well even in jobs that match their other skills.

How does labor market competition influence attitudes?

Hosts' and refugee workers' perceptions of, and attitudes toward, each other affect job outcomes for both groups. Attitudes can directly shape market interactions, such as decisions to hire workers or to buy from particular suppliers. They also indirectly determine support among hosts for the economic integration of refugees. Because working matters so much—not just for welfare, but also for identity—it is likely that attitudes and perceptions in turn depend on whether hosts and refugees compete in the labor market or whether hosting refugees provides opportunities.

Host workers exhibit prejudicial attitudes toward refugees only when they are trained in the same occupation. Thus, job competition—and even worries about potential competition—may shape hosts' attitudes.

In Ethiopia and Uganda, hosts who view refugees as competitors are more likely to hold prejudicial attitudes, and fear of job competition may shape attitudes as much as actually experiencing competition. Evidence from four labor markets in these countries shows that hosts exhibit prejudicial attitudes toward refugees only when they are trained in the same occupations and, thus, represent potential labor market competitors. Remarkably, the study found that this is particularly the case in two labor markets where there is limited actual competition between refugees and hosts, suggesting that worries over possible competition may influence attitudes as much as, or more than, actually experiencing competition. Refugees are not prone to similar biases toward hosts; indeed, in the study localities, refugees sometimes view their hosts more favorably than they view fellow refugees.

Policy implications

What policies can support better host job outcomes?

Distributional changes demand policy attention even where displacement or work permit schemes cause few changes in overall employment outcomes for hosts. The four countries studied all experienced substantial refugee inflows, but there has been little change in aggregate participation and unemployment.

Similarly, estimated effects from large work permit schemes on jobs for hosts are limited. However, there are gains for some groups of workers and adverse effects on others, notably in the short term. Sometimes the adverse effects are borne by particularly vulnerable groups of workers, but this is not systematically the case. Policy makers should direct their attention toward assisting workers who encounter disruption and vigilantly tracking whether vulnerable groups are affected. Quick and effective support is critical to welfare, fairness, social stability and, ultimately, sustaining policies to help refugees rebuild their livelihoods.

With support from the international community and small economywide effects, host workers can be directly compensated for any harm caused to them from competition. Absence of economywide adverse effects from hosting refugees and granting work permits should not blind policy makers to the fact that some groups of workers may face greater labor market competition. However, limited or even positive aggregate effects suggest that policies can focus on compensating those affected, help them adapt, and boost overall demand for labor where competition has increased. Low- and middle-income countries need ongoing support from the international community to accomplish this. Indeed, the favorable effects found in this study come in the context of such aid and might not have been achievable without it. The goal of compensation should be to restore or improve job opportunities for hosts, not to provide permanent income support. Temporary support is, however, a proven policy option. Cash transfers or, in wealthier economies, unemployment insurance payments can help workers weather temporary losses of opportunity and fund investments in new activities (whether for supplies, training, job search, or travel).[2]

The arrival of displaced workers presents opportunities that deserve as much policy attention as concerns about labor market competition. Public discourse tends to focus on potential adverse effects on jobs for hosts. Far less attention is paid to opportunities from the arrival of additional consumers and from aid and investment that often accompany refugee flows. This analysis shows potential for important gains in host communities. Policy should not only seek to limit potential harm to hosts but also consider how best to help workers and businesses seize these opportunities.

To seize these opportunities, host country policy makers need to foster a favorable business environment and invest resources wisely for hosts and refugees alike. In addition to sector-specific policies, a beneficial business and investment climate can help businesses seize the opportunities created by refugee inflows. Investments in infrastructure and facilitating access to finance in host communities can also help. Host communities in Tanzania provide an example of long-term gains due to such investments: the infrastructure built continues to reduce transportation costs and yield benefits even after refugees returned (Maystadt and Duranton 2019).

Structural changes in host communities reflect a "move toward opportunity" that policies can support by improving access to capital or by funding retraining or mobility. Analysis of the four economies studied here shows that host workers make significant efforts to adapt to the arrival of refugee workers. Overall, there is a "move to opportunity" toward sectors and activities likely to experience increased demand and less competition. Policy can seek to facilitate such shifts. In low-income countries, policies can support self-employed workers in making small investments to change their activities. In higher-income economies, support is likely to involve access to capital and finance for firms; improving the investment climate, particularly in sectors where new opportunities arise; and providing training opportunities for workers. Supporting workers' geographic mobility can also help facilitate adaptation, including policies to support affordable housing at new destinations, align minimum wages to the cost of living, provide information, and counter discrimination against internal migrants.

The agriculture sector is often well-positioned to provide additional opportunities for host communities, and public investment can help seize these openings. Across the four countries analyzed, agriculture workers in host communities benefit from the influx of refugees. It is intuitive that refugees increase demand for food and that opportunities for producers arise in food markets. At the same time, the food sector can also help employ refugees. Policies should consider investments to help local communities benefit from such opportunities. Low-income countries often have a well-defined pipeline of productivity-enhancing investments in search of financing, which is likely to include support to individual farmers to adopt technology, add cash crops, or process their products before taking them to market. Higher-income economies often focus on targeting support to competitive value chains. Support to cooperatives and investment in infrastructure are further priorities in most economies.

Policies designed to broaden refugee labor market access should consider the likely distributional effects and how they may increase or reduce competition for different host groups. The two countries in this study with more liberal refugee policies (Colombia and Uganda) do not show worse outcomes than those with more restrictive policies. The introduction of work permit programs did not lead to substantial adverse effects on hosts. Still, all policy choices affect distributional outcomes, and more or less liberal policy regimes will affect different groups differently. Policies that restrict access to formal jobs for refugees will raise competition for vulnerable workers in the informal sector, whereas labor market competition may shift toward formal jobs in countries issuing work permits to refugees. Liberalizing access to land or capital may increase competition among self-employed workers but may lessen it among daily laborers.

Policies for better job outcomes for refugees

Refugee support must carefully consider the type of activities in which there is demand for labor and for self-employment, and sectors in need of product supply. Conditions vary enormously in host labor markets, especially with income levels and between urban and rural areas. For instance, schemes to promote access to formal jobs are likely more appropriate in urban or higher-income labor markets with more demand for wage workers. In agricultural areas, access to land and capital is crucial. Elsewhere, focusing on lowering barriers to self-employment might best support refugee workers.

To help refugees establish and succeed in self-employment, policies need to alleviate the substantial capital constraints refugees face. Both displacement itself and barriers to earning good incomes disadvantage refugees in building capital, especially in low-income economies where accumulating savings is already very difficult. Lack of access to capital is a severe obstacle in labor markets where self-employment is a major economic activity. It also limits the ability of refugees to take more risks when setting up an economic activity or to wait for better jobs and invest in job searching. Policies should seek to alleviate these capital constraints. Understanding the viable avenues that exist for refugees to access capital is vital. For instance, in low-income markets where even hosts rarely borrow outside the family, borrowing may be especially hard for refugees. In such economies, small recurrent cash transfers have a successful track record in helping refugees rebuild some assets or fund job searching. Promising evidence on economic inclusion programs suggests that providing refugees with larger cash grants may have more sustained impacts than cash transfers. In higher-income economies, policies can help refugees start firms by improving their access to finance, for instance, through loan guarantees or psychometric credit scoring. Legally allowing refugees to create businesses also promotes formal firm creation and growth, as seen in Colombia (Bahar, Cowgill, and Guzman 2022).

Skill matches may help refugees improve their livelihoods but perhaps not in obvious ways, so policies need to be based on careful assessment. Refugee skill gaps may not be based on having less education; they could—as in this study—be due to the lack of language or practical skills. Further, skill matches may be less relevant than in higher-income markets, both because most jobs in lower-income labor markets are in a smaller number of common activities and because the skill gap between host and refugee workers is typically (though not always) less wide. Policy makers must determine whether refugees are well equipped to find a niche among workers who carry out common activities. In addition, capacity to invest may be more important to success than skills match. Evidence shows that training programs not combined with cash provision

or access to finance will likely not succeed, at least in the short term and in low-income settings.

In labor markets with significant formal employment and vigorous labor demand, work permits and acceptance of credentials are important tools for supporting refugees. Although policy attention to the repercussions of work permits on hosts is warranted, it should not be forgotten that refugees stand to benefit substantially from work permit programs, especially where having a work permit gives a refugee a realistic chance of obtaining a higher-earning, formal job with better working conditions. This report cautions against applying approaches from high-income countries to low- and middle-income countries. However, host countries with vigorous labor demand should consider evidence from high-income countries showing that refugees benefit when quickly allowed to work and when their educational and professional credentials are readily accepted.

Even in labor markets with little demand for formal workers, work permits can empower refugee workers by providing a potent and visible signal that they have a right to work, thus promoting their bargaining power and reducing their vulnerability. In economies where informality and self-employment are common, this signaling may be the most important function of a work permit scheme. Therefore, policy makers should seek additional ways to send the same message, for instance, by creating programs in which permits are easy to obtain and not tied to formal work, or through government communications campaigns targeting workers and employers. In addition, because work permits alone are unlikely to facilitate job access in such labor markets, policy attention needs to address other obstacles refugees face in lower-income economies, such as access to land and capital for self-employment.

Investing in host communities and promoting contact with, and information about, refugees can soften negative views toward displaced workers. Supportive attitudes from hosts are important to the well-being of refugees and to their success in building lives while living in displacement. This report's findings suggest it is important to address concerns about actual or potential labor market competition. Policy discourse increasingly acknowledges the importance of providing job support to host communities alongside the displaced, but worries about competition can shape perceptions even when there is little actual competition. Experimentation is needed to identify effective approaches. Emerging evidence suggests that promoting contact between hosts and refugees can change attitudes, although questions remain. Other initiatives that have improved attitudes in some settings include raising awareness of the situation refugees find themselves in, or directly encouraging listeners to empathize with refugees by imagining themselves being in a similar situation.

Priorities for future work to inform policy

To inform policy, future work should ask how aid, market demand, access to capital, and freedom of movement shape job outcomes; study distributional impacts; and ask what promotes welcoming host attitudes. Policy will benefit from a clearer understanding of how aid to host communities facilitates adaptation to new competition and opportunities. Rising market demand remains less well understood than labor market competition, and further research can help shape more effective policy to help host workers seize opportunities. In lower-income economies in particular, constraints to accessing capital are critical barriers for host and refugee workers, and further work on effective ways to facilitate access would be fruitful. In addition to studying the longer-term impacts of work permits, future research would need to verify the impact of granting refugees freedom of movement. Further, expanding the investigation of impacts along the income distribution and in localities that host particularly large numbers of refugees is warranted. Finally, concerns about job competition clearly help shape attitudes toward refugees, and policy will benefit from a better understanding of how such concerns relate to actual competition, and how they are most effectively addressed.

Notes

1 | For an overview of the literature see, for instance, Verme, and Schuettler (2021). Additional references are provided in chapter 1 of the full report.

2 | A full discussion of the literature related to this and other support modalities is provided in chapter 5 of the full report.

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Communities that host refugees are often concerned about how their labor markets will change. Although high-income countries attract most policy attention, low- and middle-income countries host three of every four refugees worldwide. *The Labor Market Impact of Forced Displacement: Jobs in Host Communities in Colombia, Ethiopia, Jordan, and Uganda* seeks to address some of the key questions that arise in these host countries: How does forced displacement affect job outcomes for hosts? What effect do work permit schemes have? How does labor market competition influence attitudes? And what policies can support better job outcomes for hosts and refugees?

To address these questions, the book relies on new primary data designed to study host community labor markets and on a careful comparative analysis of existing data. Its four focus countries represent low-income and middle-income economies as well as diverse policy contexts.

In its key finding, *The Labor Market Impact of Forced Displacement* shows that across the focus countries, hosting refugees has modest or even positive overall labor market effects. In important instances, however, groups of host workers face adversity from greater labor market competition, while others benefit. The book explains how labor market restrictions rarely prevent refugees entirely from working but shape the type and quality of work they do, their contribution to the economy, and the effects of their participation on hosts. It shows that refugees matter not only as competitors but also as consumers, and it explains the importance of access to capital for hosts and refugees alike in economies where self-employment is key. It also discusses how hosts' concerns over labor market competition influence their attitudes toward refugees.

The book seeks to provide a basis for more confident jobs policy making in host communities. It offers lessons on how to analyze local labor market characteristics that shape outcomes for refugees and hosts alike and on how to think about the likely effects of policies. It encourages policy makers to support workers who face negative impacts—and to proactively seize the opportunities likely to arise.

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