

The Impact of Forced Displacement on Host Communities

A summary of recent research by the World Bank, UNHCR and the Joint Data Center on Forced Displacement

Since the onset of the Syrian refugee crisis in 2011 and the peak of the European Union migration crisis in 2015, the debate over whether forced displacement benefits or harms host communities has intensified in policy, political, and media circles. Recent research conducted by the World Bank, UNHCR and the Joint Data Center on Forced Displacement provide much needed evidence to inform these discussions. In a review of 59 studies spanning 19 significant forced displacement situations from 1922-2018 – including Syria, Burundi, Rwanda, Cuba refugees in Miami, IDPs in Colombia and others – Verme and Schuettler ([Journal of Development Economics, 2021](#)) provide the most thorough evidence yet of the impacts of forced displacement on host community *employment levels, wages, prices* and overall *well-being*. Tumen ([Joint Data Center, 2022](#)) complements this with a timely analysis of the impacts of forced displacement on housing and urban settlements.

Key findings:

- On average, host households are most likely to experience an **increase in well-being** – the most important measure of overall economic impact – following a forced displacement crisis.
- People who are most likely to experience **losses in employment or wages are informal, low-skilled, young and female workers**.
- Negative effects of a forced displacement crisis are most visible in the **short-term and tend to vanish in the long-term**.
- Negative effects on employment and wages **more common in high-income countries**. In most cases, however, they are non-significant (meaning very small, or difficult to detect).
- The forcibly displaced are often not able to find **jobs that correspond** to their education level and previous work experience.

Employment and wages



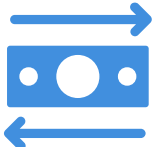

Findings

- The impacts of forced displacement on host community employment and wages depend heavily on the individual characteristics of the host community, including their age, gender, education and occupation.
- In most cases, forced displacement does not have any significant impact on the employment and wages of host communities.
- Where present, negative impacts are most common among informal, younger and, to a lesser extent, female workers. Low skill level is an important factor in predicting negative effect of wages.
- Negative impacts are also associated with larger crises and higher income countries, where they tend to disappear over time as markets adjust.

Additional insights on occupational downgrading or upgrading

- The forcibly displaced are often not able to find jobs that correspond to their education level and previous work experience, resulting in occupational downgrading. Learning the local language and having their skills and diploma recognized can help the forcibly displaced to overcome this difficulty.
- On the contrary, refugee inflows may provide hosts with the opportunity to move into higher skilled jobs.

Policy Implications

	<ul style="list-style-type: none"> ➤ Restrictions on the right to work frequently mean that refugees compete with low-skilled workers in the informal sector, potentially increasing negative impacts on this already vulnerable group. ➤ Allowing refugees to work and start their own businesses helps to disperse the impacts across different sectors and skill levels. ➤ At the same time, the productivity of local populations can be increased by providing incentives for them to upgrade their skills. ➤ Increased investment can also contribute to more employment opportunities.
<p>Prices and well-being</p> 	<p>Findings</p> <ul style="list-style-type: none"> ➤ In 4 of 5 cases, forced displacement crises lead to changes in prices. However, the direction of the price change depends on the type of goods, existing levels of poverty and access to markets: <ul style="list-style-type: none"> ○ Food and rent prices tend to increase due to supply shortages. ○ Prices for most other goods tend to fall. ➤ Most host community households experience an overall increase in well-being – as measured by income, consumption or output. Negative impacts are associated with less accurate measures of well-being, such as housing. ➤ Overall, the probability of observing a decline in well-being among host households in the aftermath of a forced displacement crisis is lower than 1 in 5. <p>Policy Implications</p> <ul style="list-style-type: none"> ➤ In isolated areas, investments by governments, donors and humanitarian organizations can help to mitigate increases in prices by connecting these areas to markets. Improvements in road networks, for example, seem to have a positive impact on household welfare, even after the return of displaced persons. ➤ An improved business and investment climate can also speed the reaction of the private sector to greater demand. Increasing the issuance of construction permits, notably for housing, may help mitigate increases in housing costs.
<p>Urban housing</p> 	<p>Findings</p> <ul style="list-style-type: none"> ➤ The sudden nature of refugee inflows, combined with the slow response of housing supply in the short-term, has the potential to affect housing prices and generate substantial changes in housing preferences, neighborhood quality/amenities, mobility patterns of hosts, and attitudes toward refugees. ➤ In urban areas, the main consensus in the academic literature – which focuses mostly on middle and upper-income countries – is that refugee inflows significantly increase demand for affordable housing in hosting areas, which leads to an increase in housing rents. ➤ If the increased demand causes a reduction in perceived neighborhood quality causing residents to leave, then the increase in rents is more limited – and rental prices can fall in some cases. Residential outflows may then lead to increases in housing prices in the regions where hosts choose to move. <p>Policy implications</p> <ul style="list-style-type: none"> ➤ Policy responses should aim to prevent worsening inequality in the first place, instead of trying to mitigate it after it emerges. Policy options each have pros and cons. ➤ Housing vouchers allowing disadvantaged individuals to move out of segregated neighborhoods have been shown to work in some settings, but not all. ➤ Increasing the supply of housing in refugee hosting areas through construction may mitigate increases in price, but does not address segregation, inequality and urban poverty. ➤ Building more housing for refugees in locations chosen by the government, on the other hand, must take into account market access, economic opportunities and sustainable livelihoods.