

Economics School of Louvain - ESL

The Economic Impact of Refugees on Host Countries

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List of acronyms

- **ARAP** Active Refugee Admission Policies.
- **ECOWAS** Economic Commission of West African States.
- **EU** European Union.
- **FSP** Financial service providers.
- **HEA** Humanitarian Education Accelerator.
- **H-1B** is a visa in the United States under the Immigration and Nationality Act, section 101(a)(15)(H) that allows U.S. employers to temporarily employ foreign workers in specialty occupations.
- **IMF** International Monetary Fund.
- **MDB** Multilateral development banks.
- **OECD** Organization for Economic Co-operation and Development.
- **SIDA** Swedish International Development Cooperation Agency.
- **TDA** Targeted development assistance.
- **TFP** Total Factor Productivity.
- **UN** United Nations.
- **UN DESA** United Nations Department of Economic and Social Affairs.
- **UNDP** United Nations Development Program.
- **UNHCR** United Nations High Commissioner for Refugees.
- **UNRWA** United Nations Relief and Works Agency.
- **U.S.** United States of America.

List of terms

- **Asylum applicant:** refers to a person having submitted an application for international protection or having been included in such application as a family member during the reference period.
- **Forced Displacement:** the involuntary or coerced movement of a person or people away from their home or home region. The UNHCR however defines forced displacement more narrowly as: displaced "as a result of persecution, conflict, generalized violence or human rights violations. (IOM Glossary on Migration, 2019).
- **Forced Migrant:** A person subject to a migratory movement in which an element of coercion exists, including threats to life and livelihood, whether arising from natural or man-made causes. For example the movements of refugees and internally displaced persons as well as people displaced by natural or environmental disasters, chemical or nuclear disasters, famine or development projects. (IOM Glossary on Migration, 2nd ed. 2011).
- **Immigrant:** From the perspective of the country of arrival, an immigrant is a person who moves into a country other than that of his or her nationality or usual residence, so that the country of destination effectively becomes his or her new country of usual residence. (United Nations Department of Economic and Social Affairs, 1998). This term include refugees.
- **Migrant:** A person who moves away from his or her place of usual residence, whether within a country or across an international border, temporarily or permanently, and for a variety of reasons. The term includes a number of well-defined legal categories of people, such as migrant workers; persons whose particular types of movements are legally-defined, such as smuggled migrants; as well as those whose status or means of movement are not specifically defined under international law, such as international students. (IOM Glossary on migration, IML Series No. 34, 2019).
- **International Migrant:** An international migrant is a person who is living in a country other than his or her country of birth. (International Migration Report, UN 2017).
- **Refugee:** A person who, "owing to a well-founded fear of persecution for reasons of race, religion, nationality, membership of a particular social group or political opinions, is outside the country of his nationality and is unable or, owing to such fear, is unwilling to avail himself of the protection of that country." (UNHCR 1967, Convention Relating to the Status of Refugees, Art. 1 A(2), 1951 as modified by the 1967 Protocol).
- **Asylum seeker:** A person who seeks safety from persecution or serious harm in a country other than his or her own and awaits a decision on the application for refugee status under relevant international and national instruments. (IOM 2011, Glossary on Migration, 2nd edition). Not every asylum seeker will ultimately be recognized as a refugee, but every recognized refugee is initially an asylum seeker. (United Nations High Commissioner for Refugees, Master Glossary of Terms, 2006).

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INTRODUCTION

Human mobility has been an enduring aspect of our history but, in today's global economy, it represents a significant issue, considering the means and conditions required for the reception of migrating populations. An increasing flow of forced migrants from civil wars and conflicts creates new challenges around the world. For instance, the asylum crisis caused by the Syrian exodus in 2015 has been receiving considerable critical attention. This impressive wave of migration has put economic and political pressure on the host countries. Over the past decade, numerous global conflicts have forced unprecedented flows of forced migration. According to the United Nations Department of Economic and Social Affairs (UN DESA), there were 272 million international migrants worldwide in 2019 (The UN International Migrant Stock, 2019). The UNHCR estimates that the number of displaced population worldwide grew from 43.3 million individuals in 2009 to a substantial 70.8 million in 2018. Most of this increase has happened in the mere timespan ranging from 2012 to 2015. The figures also show that developing countries hosted 84% of refugees, and less than 1 in every 5 refugees is hosted in Europe. These growing population flows have contributed to a shift in both the scientific research agenda and that of the political discourse, bringing the analysis of the economic implication of migration to the front attention.

The topic of migration has been studied by many researchers, using both qualitative and quantitative methods. By reviewing various studies, this work attempts to provide an objective understanding of the economic impact of refugees on host countries and their major destinations such as the U.S., Europe, and Africa. Additional material on other countries is also provided to fill in the gaps that can be of particular interest for future studies.

The aim is to clarify the situation in which refugees and their host countries find themselves today, as well as to represent various economic impacts that these waves of migration could have. To achieve this goal, the following research questions were chosen:

- Why do refugees succeed economically in some countries and not in others?
- How do the demographic composition of the resettlement country and its socio-economic profile interact with the individual characteristics of economically successful refugee populations?

While it is important to determine the economic impacts of the arrival of a significant number of migrants, it is also essential to learn from them. The UNHCR shows that, in 2019, "the growing number of international immigrants makes up 3.5 percent of the global population, compared to

2.8 percent in the year 2000". It is an opportunity for countries concerned to learn given tomorrow's challenges.

The migrant crisis

The current migrant crisis or refugee crisis is characterized by a major presence of refugees, mainly from countries experiencing intense conflicts, such as Syria, Afghanistan, and Iraq. The year 2015 marks the start of massive arrivals of migrants to Europe, with more than one million migrants counting for that year (IOM, 2015). It is difficult to summarize the available data. One of the main attributes of this crisis being its heterogeneity, whether among socio-economic profiles of the different migrants and refugees, or the reception and reaction policies varied from different countries. As James Milner et al. (2016) have noted, there is a real and imposing struggle to measure, among other variables, the economic impacts of hosting refugees, as what remains to be listed and filed and documented far outweighs what is known and calculated. In addition, the share of international immigrants in the total population varies considerably across regions, making studies marginalized and the results volatile: they could indicate but a fraction of the refugees and their impact on the numerous aspects of the economy and the society. Moreover, not all countries have the same share in hosting refugees. For example, "Europe hosts the largest number of international migrants at 82 million; followed by North America at 59 million; and with 51 million in the United States. On the other side, North Africa and Western Asia host around 49 million immigrants" (UNHCR, 2018). With the same study indicating that the aforementioned numbers do not reflect the actual severity of the situation, as forced displacements is also continuing to increase with refugees and asylum seekers accounting for close to a quarter of global increases, which have risen by 13 million in number from 2010 to 2017. As a result, an accurate study is less than likely to emerge even if developed countries are tackling at the forefront of this issue. It is important to sort out the myths from the facts, and cross-examine whether the academic community of researches and scholars are realistically echoing in their publications the reality of this ever-changing and constantly increasing amount of data and information.

According to the literature, the economic impact of migrants depends to a large extent on their economic integration. Socio-economic characteristics of migrant populations, such as age, education, gender, etc. are the main determinants of this integration, and therefore ultimately reveal the economic outcomes. Besides that, the integration policies put in place by the host countries support, to some extent, this integration.

This paper is inspired by the literature related to the economic impacts of refugees. The first part of this work brings together a selection of effects likely to determine these impacts. Based on this,

the second part explores a series of policies made to tackle the migrant crisis, to sketch possible solutions and future research. The impact of dynamic immigration processes on economic outcomes for the United States, the EU major destinations of world population movements will be assessed. Related topics, such as the occupational , educational , and other assimilation issues faced by migrants themselves (economic migrants, refugees) necessarily enter the discussion along the way.

The work is organized into three sections: Part I provides a clear definition and distinction between migrants and refugees, statistically describing their respective characteristics and the self-selection process. Part II is a literature review that explores the economic impacts of migration, particularly those of refugees in host countries, focusing on wages, employment, and labor markets, as well as on broader economic activity and long-run growth. Part III reviews migration and integration policies over recent periods and future outlooks.

SECTION 1: TYPOLOGY OF MIGRANTS AND REFUGEES

1.1. Definition of a migrant

To analyze the consequences of migration and understand the impact of movements, a clear definition of the term ‘migrant’ is needed. Today, there is no single, universally accepted definition of a migrant. Docquier and Marfouk’s (2006) data set of international skilled emigration to the OECD (known as the DM06) counts all foreign-born individuals as immigrants, independently of their age at arrival. There are also other widely accepted definitions, such as being born in a foreign country, crossing a national border, staying for a while, or a long-term in another country. Usually, migrants are defined as people who stayed in another country for over a year, but definitions still vary greatly amongst researchers, policymakers, and within the law.

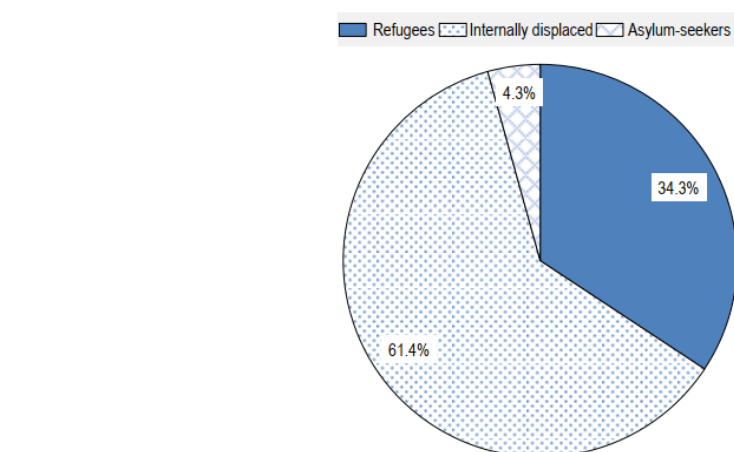
The official definition provided by the UN, and the one used for the purpose of this paper, defines an international migrant as any person who changes his or her country of usual residence for a minimum period. It could range for a period of at least one year so that the country of destination effectively becomes his or her new country of residence. These people are defined as long-term migrants. A short-term migrant, on the other hand, is a person who moves to a country other than his or her usual residence for a period of at least three months and less than one year, excluding the movements for purposes of recreation, holiday, visits to friends and relatives, business, medical treatment or religious pilgrimage (UN recommendations on the statistics of international migration, 1998). The OECD tends to use the UN definition but, since 2005, it has started to organize information taking into account the purpose of movement which is also available for consideration for the country of destination.

The Framework for the Compilation of Migration Statistics presented in the UN recommendations allows every type of movement to be accounted for as migration, regardless of its purpose and as long as it satisfies the duration criteria. This imposes limitations on receiving countries that have to define long-term movements by keeping a record of reasons, the duration of the stay, and whether the movement is intended to be permanent or temporary. It implies that the current UN definition covers also flows that are not interchangeable such as settlement, employment, family reunification, study, or finding refuge from persecution. This confusion affects not only the international comparability of migration flows but also the accuracy of statistical analysis, the conclusions of the research, and the policy recommendations proposed by these studies (COM 2016).

Besides the UN’s definition, the International Organization for Migration (IOM) defines migration as the movement of a person or a group of persons, either across an international border or within a State. It includes migration of refugees, displaced persons, economic migrants, and persons moving for other purposes, including family reunification.

1.2. Definition of a refugee

A refugee is a person who “owing to a well-founded fear of persecution for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of their nationality and is unable or, owing to such fear, is unwilling to avail themselves of that country” (UNHCR (1967), Convention Relating to the Status of Refugees, Art. 1A (2), 1951). Their situation is often so perilous and intolerable that they cross national borders to seek safety in nearby countries, and thus become internationally recognized as “refugees” with access to assistance from host countries, Member States of the European Union, the UNHCR, and other organizations. From a migration statistics viewpoint, when refugees are granted refugee status and allowed to integrate, they are normally included in population censuses as international migrants. However, it is not the case in several developing countries, where refugees lack freedom of movement and reside in camps or other designated areas, which are overlooked by population censuses. In such cases, estimates of the refugee population collected from the Office of the United Nations High Commissioner for Refugees (UNHCR) and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNWRA) are added to the estimates of the international migrant stock.



Note: The data includes Palestinian refugees under UNRWA’s mandate.
Source: Authors’ calculations based on UNHCR (2017a).

Figure 1: Refugees represent about one-third of the forcibly displaced worldwide.

According to Figure 1, more than 60% of the forcibly displaced (40.3 million) are internally displaced, while close to 40% (27.8 million) are displaced outside their country, either as refugees (22.5 million), or asylum-seekers (5.3 million). Among the internationally displaced, 3.4 million were new refugees and new asylum seekers in 2016 (UNHCR, 2017a). This growing number of refugees worldwide is largely driven by the conflict in Syria.

UNHCR regions	Refugees (including persons in a refugee-like situation)		Change		% of total, end-2018
	Start-2018	End-2018	Absolute	%	
- Central Africa and Great Lakes	1,475,700	1,449,400	-26,300	-1.8	7
- East and Horn of Africa	4,307,800	4,348,800	41,000	1.0	21
- Southern Africa	197,700	211,000	13,300	6.7	1
- West Africa	286,900	326,300	39,400	13.7	2
Total Africa*	6,268,200	6,335,400	67,200	1.1	31
Americas	646,100	643,300	-2,800	-0.4	3
Asia and Pacific	4,209,700	4,214,600	4,900	0.1	21
Europe	6,114,200	6,474,600	360,300	5.9	32
thereof: Turkey	3,480,300	3,681,700	201,400	5.8	18
Middle East and North Africa	2,705,400	2,692,700	-12,700	-0.5	13
Total	19,943,600	20,360,600	417,000	2.1	100

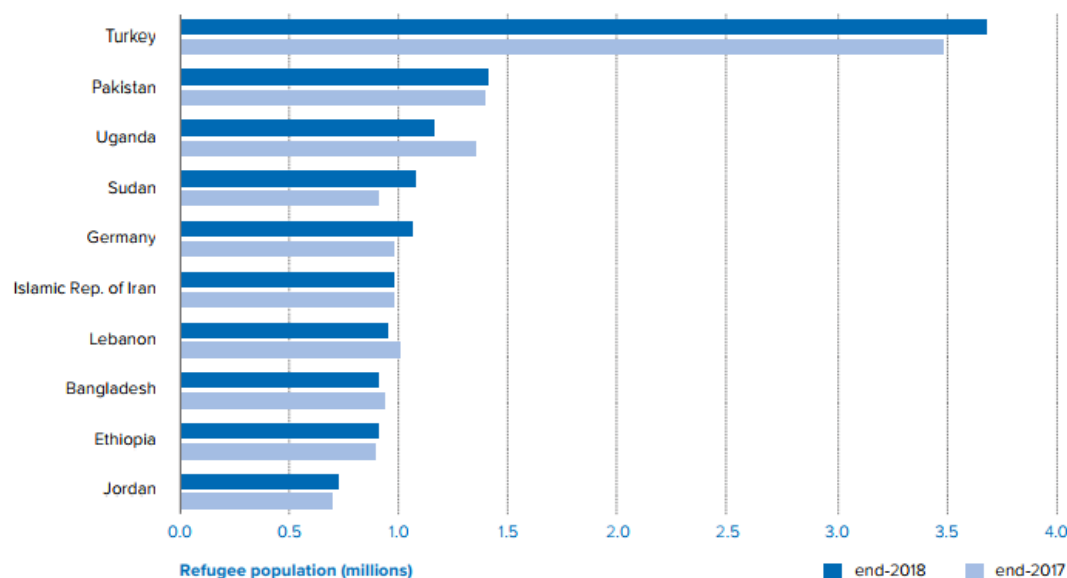
* Excluding North Africa.

Table 1: Refugee's population by UNHCR regions, 2018. (UNHCR GLOBAL TREND, 2018)

The refugee population under the UNHCR's mandate has nearly doubled since 2012 when it stood at 10.5 million. Over the course of 2018, this population increased by about 417,100. As in 2017, over two-thirds of the world's refugees come from just five countries: Syria, Afghanistan, South Sudan, Myanmar, and Somalia. There is an increase from the start until the end of the 2018 in almost all countries. There was only a small increase of 1 percent in the refugee population in sub-Saharan Africa, disguised by wide sub-regional variations such as a small decrease in Central Africa and the Great Lakes, and an increase of 13.7 percent in West Africa. The situation in Asia and the Pacific remained relatively stable in 2018 after large flows of refugees in 2017, followed by a small decrease in the refugee population in the Middle East and North Africa. There was also a small decline in the registered refugee population in the

Americas, caused mainly by the departure of Colombian refugees from the Bolivarian Republic of Venezuela.

Figure 2: Major host countries of refugee's end-2017 to end-2018 (Source: UNHCR Global Trends, 2018).



The size of the host countries' population and economy influences how they cope with the socioeconomic impacts of refugee flows. Turkey, Pakistan, and Uganda are the three countries hosting most of the world's refugees. Figure 2 shows the top ten countries hosting refugees. Turkey continuing to host the largest population of Syrian refugees that increased throughout 2018, through both new registrations and births with 3.7 million at the end of 2018. Pakistan reported 1.4 million while Uganda continued to host a large refugee population: numbering 1,165,700 at the end of 2018, despite a decline from the 1,350,500 at the end of 2017. The refugee population in Lebanon declined slightly, mainly due to data reconciliation, deregistration, and departures for resettlement (UNHCR, 2018).

1.3. Characterizing asylum seekers

The twenty-first century has been called “the age of migration” (Castles and Miller, 2009). Today, there are more migrants in the world than ever before, about 272 million international migrants in 2019 (United Nations, 2019). Approximately 31% of the international migrants worldwide reside in Asia, 30% in Europe, 26% in the United States of America, 10% in Africa and 3% in Oceania (OECD, 2019). It is expected that the number of international migrants worldwide will increase in the future, with demographic factors, economic disparities, and environmental change continuing to be major drivers of migration. Moreover, worries about immigration have powered the rise of populist parties and candidates in Austria (Halla et al. 2017), Denmark (Dustmann et al., 2019), France (Edo et al., 2019), Germany (Otto and Steinhardt 2014), and Greece (Dinas et al. 2019). To begin with, we need to understand the socio-economic characteristics of refugees and migrants, many of whom are likely to apply for asylum in their destination countries. This will allow them to be protected and have access to social benefits of the host country.

Numerous studies of migration give a significant role to demographic characteristics when explaining migrant populations. Each migrant flow is unique in terms of its demographic characteristics, including age, gender, marital status, educational attainment, and so on. While acknowledging the complexity and multiple dimensions of this issue, the characteristics of current asylum seekers are being examined, in terms of their demographic composition, education, and skills, to facilitate a more coherent discussion and to help construct an effective response to the refugee crisis. This section navigates different sources of data to assess the macroeconomic impact of these flows at the current juncture, although its availability and reliability remain a source of uncertainty.

It is argued that age, gender, education, and the mastery of the national language are the main determinants of the economic integration of migrants. The data in Figure 3 shows the demographic structure of asylum seekers in Europe.

Asylum applications (non-EU) in the EU-27 Member States, 2008–2019

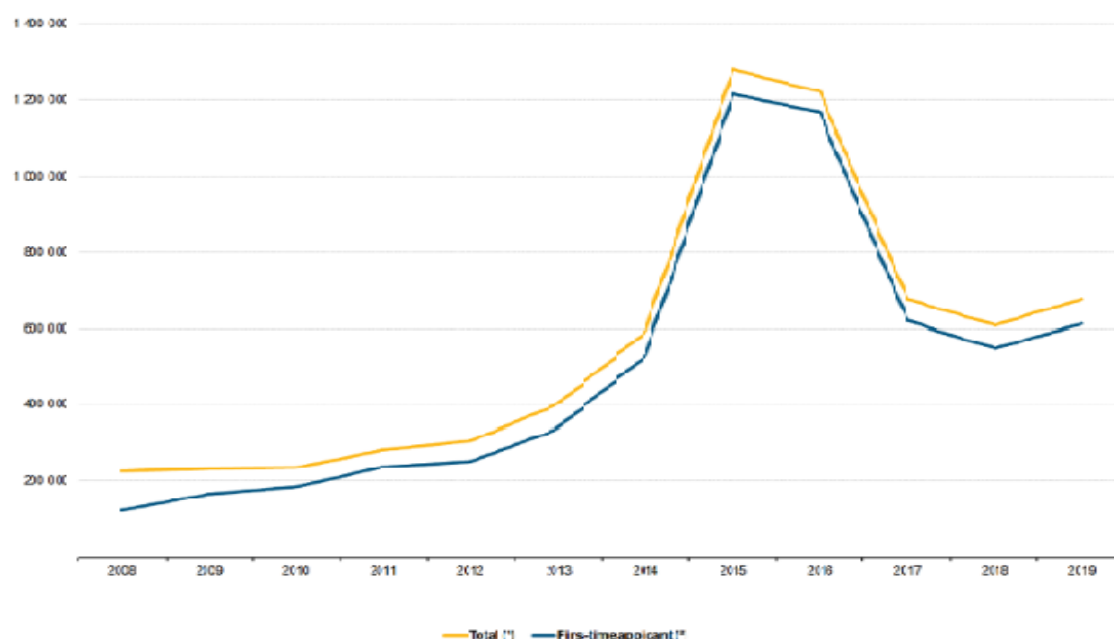


Figure 3: Asylum applications (non-EU) in the EU-27 Member States, 2008–2019 (Source: Eurostat (migr_asyappctza)).

The number of asylum seekers arriving in the EU has reached unprecedented levels. This increase can be explained by several push factors that have forced or encouraged people to leave their home countries. One of the main reasons that force people to cross borders is to seek international protection. In 2019, 676 300 asylum seekers applied for international protection in the 27 Member States of the European Union (EU), up by 11.2 % compared with 2018. This was the first time the number of asylum applications increased year-to-year since 2015. There is also an important economic component in the push factors: a large number of migrants come from countries with no on-going wars. It is due to a lack of job opportunities, in particular for young people and including the well-educated, has long been among the key problem in many countries of the EU's southern regions. However, it is a structural factor shown in a steady number of economic migrants seeking to come to Europe.

When looking at the economic impact across countries, it is bound to differ not only due to the differences in the inflow size and legal provisions on access to the labor market but also to the time asylum seekers stay in the host country and whether they are granted protection or rejected. In some cases, those who are rejected appeal against the decision and, or stay irregularly.

Germany, France, and Spain are the main destinations. As Figure 4 shows, Germany received the highest number of asylum applicants in absolute terms. With 142 400 applicants registered in 2019 , Germany accounted for 23.3 % of all first-time applicants in the EU. It was followed by France (19.6 %), Spain (18.8 %), ahead of Greece (12.2 %), and Italy (5.7 %) (Eurostat, 2019). Among the Member States with more than 5 000 first-time asylum seekers in 2019, the number of first-time applicants rose most in relative terms compared with the previous year in Spain (+118.4 %, more first-time asylum seekers in 2019 than in 2018), Cyprus (+66.8 %), ahead of Sweden (+27.9 %), Belgium (+27.4 %), Greece (+15.3 %), the Netherlands (+9.9 %) and France (+7.6 %). In contrast, the largest relative decreases were recorded in Italy (-34.5 %), Germany (-12.0 %) and Austria (-7.0 %).

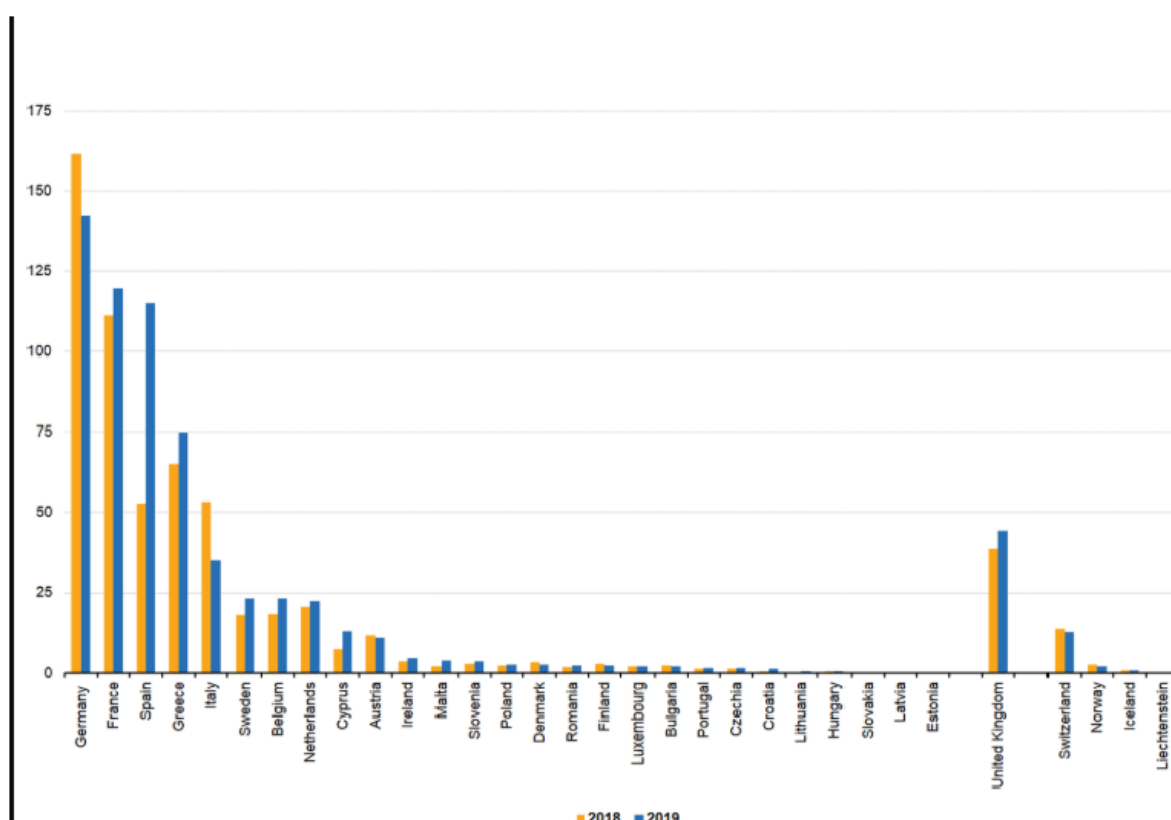
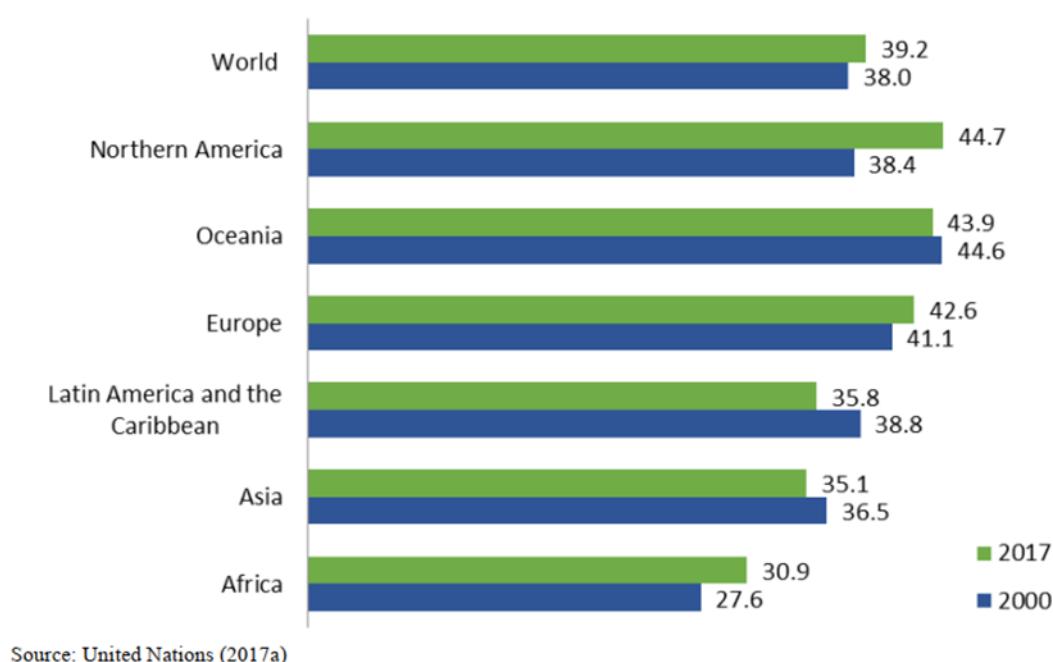


Figure 4: Number of (non-EU) asylum seekers in the EU-27 Member States, the United Kingdom, and EFTA countries, 2018 and 2019 (thousands of first-time applicants) (Source: Eurostat (migr_asyappctza)).

Worldwide, the median age of migrants has been increasing. An analysis of the age structure of the population shows that, for the EU-28 as a whole, the foreign population was younger than the national population. As Figure 5 shows, the median age of all international migrants was 39.2 years in 2017, compared with 38.0 years in 2000. Given the earlier findings that most migrants move within their region of birth, it is not surprising that the median age of migrants was the

highest in the high-income countries (40.6 years), followed by migrants in middle-income countries (37.3 years) and lastly in low-income countries (29.8 years). International migrants living in Africa were the youngest, with a median age of 30.9 in 2017, followed by Asia (35 years), Latin America and the Caribbean (36 years). In contrast, migrants were older in Europe, Oceania and Northern America, where the median age was 42.6, 43.9, and 44.7 years, respectively. At the beginning of 2018, the median age of the national population in the EU-28 was 44 years, while the median age of non-nationals living in the EU was 36 years (Eurostat, 2018).



2000 and 2017

Figure 5: Median age among international migrants worldwide and by region of destination,

The education level of international migrants may also differ compared to other migrant categories, for example refugees. It determines the size and skill composition of immigrant flows to any particular host country. Data from the 2014 Labor Force Survey (LFS) on migrants shows that almost half of the working-age refugees that came to the EU by 2014 had a low level of education, representing 44 % compared to little over a third of other migrants (37 %) and a quarter of the native-born (27 %). Similarly, refugees had a lower share of individuals with a high level of education than other migrants (20 % versus 27 %) and the native-born (26 %) (EU LFS, 2014).

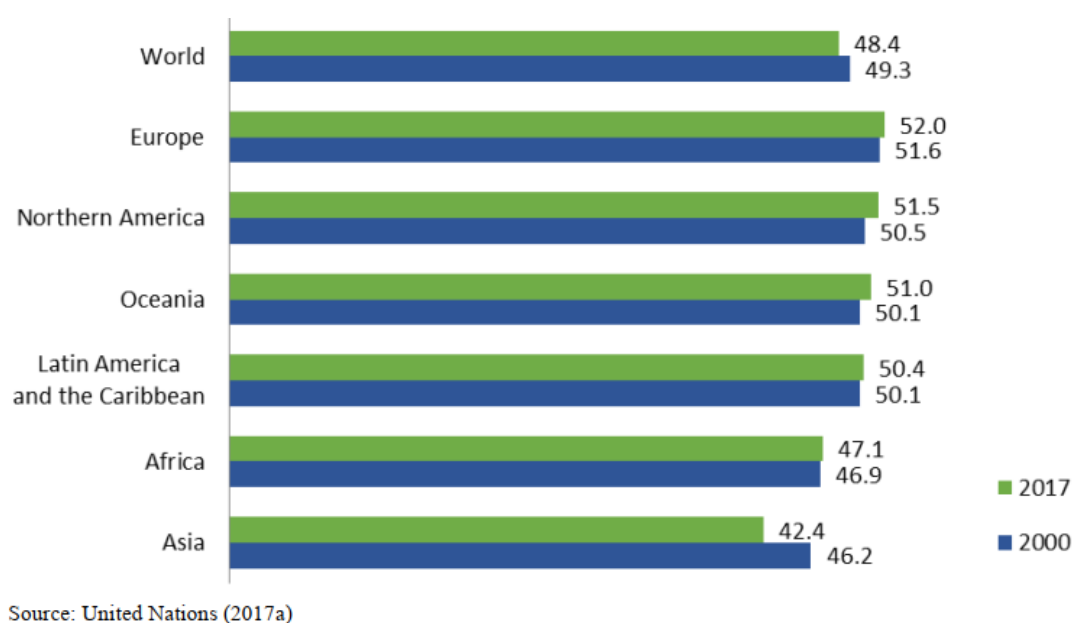


Figure 6: Percentage of female migrants worldwide and by region of destination, 2000 and 2017.

The proportion of women of all ages among all international migrants fell slightly, from 49.3 percent in 2000 to 48.4 percent in 2017. Much of this decline is due to the growing share of male migrants in high-income countries located in the less developed regions. Between 2000 and 2017, the proportion of female migrants in high-income countries fell from 49 to 47.7 percent. The same decline in the share of female migrants also declined in middle-income countries but increased somewhat in low-income countries. The numbers vary considerably across geographic regions.

Although countries of origin of refugees greatly vary in recent years, disparities between refugees and other migrants remain (Conner 2010). Refugees on average have less language ability, less educational experience, different forms of family support, poorer mental and physical health, and generally reside in more disadvantaged neighborhoods than other migrants (Conner 2010). In addition, the refugee's decision to migrate is often the result of war, political, and religious conflicts. They often experience high levels of physical and mental trauma that can inhibit career development within the receiving countries (Baez 2010; Chung and Kagawa-Singer 1993; Rumbaut 1985). On the contrary, independent migrants take intentional steps before migrating to ensure a more successful adaptation in the receiving countries through education, language training, and skills. However, many of these same explanations (political, religious tension, physical and mental trauma) are used for immigrants in general to explain poor economic outcomes. For instance, given the high levels of undocumented migration, many of the factors

mentioned earlier could be posited to explain economic disparities for non-refugee immigrants, including family-based migrants (Borjas 1994; Chiswick 2005). To emphasize this issue, examined literature (Potocky-Tripodi 2003) suggests that to survive economically, refugees are often forced to take low-paid jobs, below their previous occupational status in their country of origin. This happens due to their focus and determination towards the future, not allowing the traumatic events of their past to shape their success which economic migrants do not necessarily experience.

1.4 Self-selection of refugees

Refugee adaptation and integration within the receiving country has been an enduring question for international migration research (Potocky-Tripodi, 2003). Most findings, at least of earlier cohorts to the United States, indicate that refugees face large obstacles in their economic integration (Kibria 1994; Portes and Stepick 1985; Potocky-Tripodi 2001, 2004; Takeda 2000; Waxman 2001, Connor 2010). Since refugees do not leave their country voluntarily, they are conceptually different from other migrants (Richmond 1988) and are not selected on a class basis. There are a few studies that analyze the self-selection of refugees. Cohen (2007) compares the educational levels and earnings assimilation of Jewish immigrants from the former Soviet Union in the United States and Israel. Birgier et al. (2018) examine the self-selection patterns concerning Argentinian and Chilean refugees' economic assimilation in the United States, Sweden, and Israel. Brücker et al. (2016) show that recently arrived refugees in Germany have a relatively low level of education compared to the German population. Guichard (2017) finds that refugees from Afghanistan, Iraq, and Syria in Germany are positively self-selected in terms of education relative to the native population. However, there is no systematic analysis of the self-selection of refugees from multiple countries of origin. Economic incentives, migrant integration policies, and border policies that shape migration flows (i.e. individual choices responding to economic incentives) play an important role in the self-selection. Migrants with tertiary education are more likely to prefer a destination with high-income differences and GDP per capita than their compatriots with primary or secondary education. Those with secondary or tertiary education are less likely to prefer a country that spends a large share of its GDP on social expenditures than those with primary education or less. On the other hand, unemployment and the average duration of the asylum process deter instead more those with less education. Several studies assess the self-selection in Germany and Turkey, two main countries hosting the highest number of refugees in the world, and show the existence of strong positive self-selection for the education of refugees.

For example if fixed costs of migration are sizeable on one hand and if ability and schooling contribute to either dampen the costs or to increase earnings on the other hand, then positive selection likely occurs. (Cattaneo 2007).

Selective migration policies favoring immigration of the highly-skilled are becoming increasingly popular among governments worldwide. In the UN's survey of 158 member state governments, 27 percent indicated that they have policies to increase high-skilled immigration; and among more developed countries, the percentage was much higher, at 47 percent (UN, 2010). The trend toward selective migration policies is increasingly being framed in terms of national economic competitiveness and described as a "battle for the brains" (BMI, 2001) of highly-skilled migrants, usually those with a tertiary degree (OECD, 2004).

In conclusion, the positive self-selection of refugees is an advantage for receiving countries if they keep taking steps to ease their path to labor market integration. Those not selected through the economic channel are significantly less integrated into the labor market and they earn less than their countrymen. Moreover, the successful integration of refugees can boost subsequent exports to their country of origin (Parsons and Vezina 2018). At the same time, the positive self-selection of refugees is a disadvantage for countries of origin: it makes rebuilding more difficult, once the conflict is over. Since human capital is driving economic growth, such a loss may have severe long-term effects.

SECTION 2: ECONOMIC IMPACTS

This research is based on a literature study of academic sources and secondary literature from newspapers, government documents, NGO's, and other sources of valuable information. The literature is analyzed to provide a clear image of how the large migration flows, that occur across international boundaries, will lead to significant changes in economic conditions in host countries, focusing mainly on the economic impacts of refugees.

2.1 Impact of refugees on low and middle-income countries

Refugees have not generally been conceived as positive economic resources (Zetter 1992). In the developing world, mass influxes appear to strain already fragile economies such that refugees may often be perceived as an unwelcome burden and marginalized from what is called mainstream development. However, a reconceptualization has gained impetus in the last few years. The economic impact of immigrant in host countries, particularly in developed economies, is well-studied. Existing research implies both positive and negative labor market outcomes for the host population (Facchini et al. 2013; Özden and Wagner, 2014; Gindling, 2009). The conclusions point at a limited impact of refugees (Ottaviano and Peri 2011) on wages and unemployment in high-income countries while low-skilled refugee workers may in certain cases face reduction in wages (Borjas, 2003; D'Amuri et al., 2010). However, there are significantly fewer studies that investigate the economic impacts of refugees in developing countries.

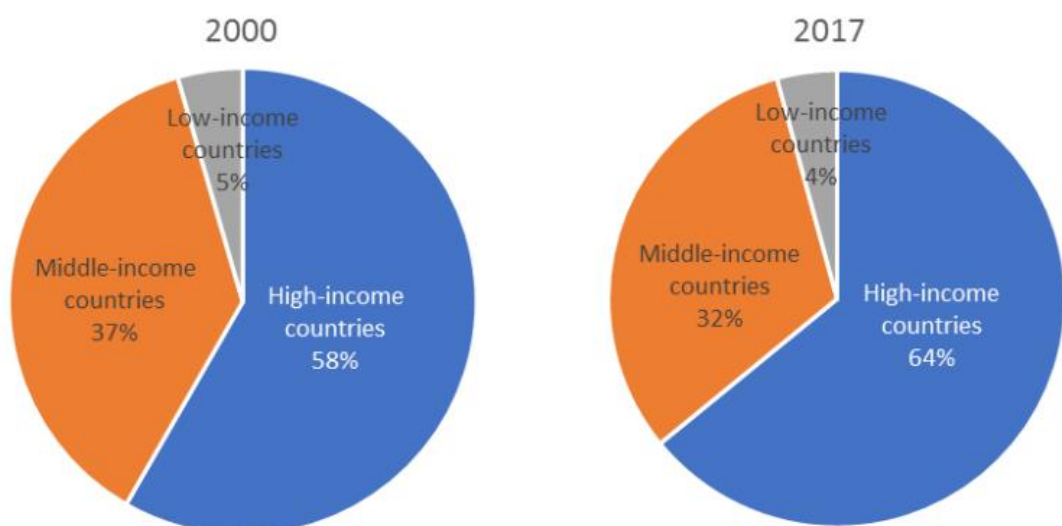


Figure 7: *Percentage of international migrants by income group, 2000 and 2017 (Source: United Nations (2017a)).*

In 2017, high-income countries hosted almost two-thirds of all international migrants with 64 percent of all international migrants living in these countries. Thirty-seven percent live in middle- or low-income countries. Absorbing most of the recent growth in the global population of international migrants, high-income countries gained 64 million of the 85 million migrants added worldwide between 2000 and 2017. As a result, the rate of growth of the migrant population was the highest during this time: 2.9 percent per year in high-income countries while the average growth rate in low-income countries was around 2.4 percent (UN, 2017).

2.2 Short-term and long-term impacts

When studying the economic impact of refugees, one has to assess its persistence in both the short and long run. Most of the research has concentrated on the economic impact of migrants, on their futures and those of locals (Card 2005), on changes to the local labor market and its dynamics (Bijak et al. 2007), or public finances (Kerr and Kerr 2011). The focus of these studies, however, has typically been up to 1-2 years. Our understanding of the economic implications of population mobility has been limited to the first 5 to 15 years after the initial migration. Moreover, the analysis of the medium- to the long-term impact of refugees on economic prosperity has been mostly neglected. Only in recent years, researchers have started to address this gap.

Migration is not an unusual phenomenon. It has existed centuries ago and the economic impact can be positive, depending on the policy responses. One important demographic aspect related to migration has, however, remained firmly anchored in short-term scrutiny - diversity. Research on the economic impact of population diversity has flourished, focusing on a multitude of transmission channels ranging from skill variety, social interaction, innovative networks, institutions, and the provision of public goods, social participation, social unrest, and conflict (Ottaviano and Peri 2006, Alesina et al. 2016, Kemeny and Cooke 2017). Most of this research unveiled a considerable effect of diversity on growth over the short-term.

So far we have seen that well-integrated refugees can help improve the flexibility and performance of the labor market, as well as fiscal sustainability. The literature on the economic impact of migration in the medium-term is rich and often focuses on the EU and the U.S. as receiving countries. Studies, from the IMF and the OECD among others, focus specifically on the impact

of refugee flows and typically point to a small positive impact on fluctuations in the short-run, while the effects on medium- and long-term growth depend on how refugees are integrated into host country labor markets. Looking from a macro perspective, refugees stimulate consumption of necessities (water, shelter, etc.) that triggers a supply response, with consequent investments in retail trade and transport, and a boost in GDP (European Commission, 2016). In the short-run, the focus has been and remains to manage and support a large number of asylum seekers amid political and social tensions in the countries most affected (European Commission, 2016). As has been shown above, asylum seekers and refugees represent a diverse group and may not have the same profiles in terms of country of origin, age, gender, education, and skill set. The structure, cyclical position, and the integration policies of the destination countries (e.g. the unemployment level, existing rigidities, legislation, economic growth, etc.) will affect the economic impacts.

2.3 Multidimensional impact of migrants and refugees

2.3.1. International migration and the labor market

In this part of the work, international migration is defined as all residents who were not born in the host country. The research on the impact of international migration on labor markets and wages shows that it critically depends on the complementarity between the skills of migrants and existing workers, as well as the economic characteristics of the host country (Fry, 2014). The impacts on the labor market differ between the short- and long-run when the economy and labor demand can adjust to the increase in labor supply (Ruhs & Vargas-Silva, 2018).

2.3.2. High-skilled vs. Low-Skilled Migrants

Migrants with skills similar to those of existing workers would compete with them in the labor market and affect employment and wages, especially in the short-term. If migrants' skills complement those of existing workers, the impact could be positive (Aiyar et al., 2016). In the literature, there is a consensus that international migration has little effect on employment rates and average wages of existing workers; however, it may have short-term impacts in certain labor market segments. Macro-economically, countries may report earnings, but individually, there can be a loss of incomes for low-skilled workers in host countries (Manole et al., 2017).

Docquier et al.'s (2014) research, concerning 35 OECD countries, showed that immigration usually has a positive effect on the average wages of less-educated workers. According to them, this is due to higher education levels of the OECD immigrants relative to the non-migrant

natives. Hence, higher immigration leads to job creation since educated people are job-creating and complement less-educated workers in productive activities. Furthermore, they showed that less-educated existing workers experienced a particularly large wage and employment gains in countries whose immigration systems favor educated migrants, like Australia and Canada. In other countries like Luxembourg, Ireland, the UK, and Switzerland, less-educated natives gained between 2% and 5% in their wages (Docquier et al., 2014). On the other part of the hemisphere, Peri et al. (2014) showed that for the U.S., highly educated migrants have contributed to the growth of the total factor productivity (TFP), which has positive spillover effects on wages for existing workers.

We have seen that, aside from supplying labor, migration also adds to consumer demand and derived demand for labor in the production of goods and services. This, in turn, can affect workers' wages and incomes. For example, the immigration of skilled workers may encourage innovation and the adoption of more skill-intensive technologies, which would affect labor demand (Ruhs & Vargas-Silva, 2018). International migration leads to higher demands for specific services and goods, resulting in employers to increase production in some sectors, which could create more employment (Alesina et al., 2015; Cattaneo et al., 2015). For instance, the immigration of low-skilled workers can expand the production of certain products and services that use low-skilled labor intensively. Furthermore, employment rates for migrants are higher in countries with low entry-level wages and less employment protection (Ho & Shirono, 2015). As country-specific skills accumulate during the time of residence, the probability of being employed gradually converges to that of comparable natives, however, in most cases full convergence is not observed even after over 20 years (Ho & Turk-Ariss, 2018).

The literature on employment impacts finds little evidence that migration significantly affects the overall employment levels of native-born workers. Aiyar et al. (2016) found that migrants have lower participation, employment rates, and wages than natives in advanced economies. The earnings and employment gaps are pronounced in the initial years, but start to fall as migrants gain language proficiency and obtain more relevant job experiences. Until recently, the impact of high-skilled migrants on native wages and employment received less attention than that of their low-skilled counterparts. Studying high-skilled groups has gained momentum and interest as the H1-B and other visa programs have contributed to a rapid rise in the inflow of professional foreign-born workers.

The literature focusing on the labor market emphasizes the short-run impacts. The role of migrants in contributing to aggregate demand, in affecting prices faced by consumers, or seen as catalysts of long-run economic growth are other economic consequences sometimes overlooked by

researchers and in policy debates. By construction, labor market analysis often net out a host of complex effects, many of which are positive, to identify direct wage and employment impacts. New arrivals and their descendants are a source of demand in key sectors such as housing, benefiting residential real estate markets. In case migrants flow disproportionately to where wages are rising and local labor demand is strongest, they help equalize wage growth geographically, making labor markets more efficient. Importantly, migration is integral to the nation's economic growth.

Once it becomes clear that migration contributes to long-term economic expansion in a way that accommodates a larger population, assessments of short-term adjustments, and societal costs can be placed in a more complete context. Long-run growth requires infusions of labor, various forms of capital both physical and human in addition to technology. An essential part of the long-run economic analysis includes migrants and their contributions to human capital development, scientific advancement, and innovation. For this reason, researchers are increasingly interested in documenting trends of the foreign-born among students and professionals working in science, technology, engineering, and mathematics (STEM) fields; their roles in business creation, and other activities related to innovation, productivity, and growth are also being examined (Blau, Mackie, 2016).

2.4 Migration and entrepreneurship

There is a perception that international migrants are more entrepreneurial than the native population. For example, in China, 25% of migrants are self-employed and involved in trade with their country of origin (Giulietti et al. 2012). In the U.S., longitudinal data shows that approximately 25% of U.S. entrepreneurs (defined as the top initial earners in a new business) are immigrants to the U.S. In total, between 35% and 40% of new U.S. firms have at least one immigrant entrepreneur connected to the firm's creation (Pekkala Kerr & Kerr, 2016).

However, the literature argues that migrant entrepreneurs may be less risk-averse (Neville et al. 2014), be more able to spot opportunities for new businesses (Hart & Acs, 2011), have access to supplementary sources of support, training, and financing - as often migrants increase their educational level and/or gain new skills, save more money and extend their social network while living abroad (de Haas, 2006; OECD, 2008). Moreover, in countries with larger migrant populations, such as Germany, Italy, Spain, Switzerland, and the Netherlands, migrants are much less likely than natives to be self-employed (OECD, 2010). In addition, migrants often face discrimination in formal labor markets, which drives them into self-employment. For example,

rising xenophobia has been found to push disproportionate numbers of migrants with limited English proficiency into self-employment in the U.S. (Mora & Davila, 2007).

2.5 The economic impact of refugees on host countries

Low and middle-income countries host the majority of refugees worldwide, with recent estimates as high as 85% in 2017 (UNHCR, 2018a). So far, the literature on the economic impacts of refugees in low and middle-income host countries is very limited. However, there is a small but emerging literature providing empirical evidence of the economic impacts of forced displacement on the refugees themselves, as well as on host countries and the host population. Existing studies are often qualitative in nature and tend to focus on social impacts rather than economic impacts. These studies have mainly focused on two important geographical areas: East Africa and the Syrian refugee flows to neighboring countries. A report concerning the impact of refugees on the national public expenditure in Malawi during the 1990s concluded that a significant direct and indirect expenditure related to refugees affected the scale of the government's capital investment in the social and infrastructure sectors. Another example of the economic impact of refugees on a host country is the case of Kosovar refugees in Albania and Macedonia. The latter is further discussed in the following paragraphs.

The literature on the economic impact of refugees reinforces the consensus that the impact of immigration on average native-born workers is small and mainly positive, while the influx of refugees does not have detrimental negative effects for low-skilled existing workers. However, refugees need more time to integrate into host economies. In some countries, they are not allowed to work due to their unsettled status. For all immigrants, language skills, education, and linkages to refugee networks are important factors for the speed of economic integration and impact on host countries' economies. Evidence also shows that refugees, even without participating in the labor force in the first years after arrival, increase fiscal expenditures in the short-term. However, their impact on the demand side of the economy is positive, resulting in higher GDP growth. A 1999's report on Kosovar refugees, prepared by the International Monetary Fund and the World Bank, asserts that a large influx of refugees strains the social and economic infrastructure of neighboring countries, and therefore emergency financial assistance is needed. There is also a growing body of empirical studies estimating the economic impacts of Syrian refugees. The inflow of Syrian refugees to Turkey was found to decrease employment among Turkish informal workers (Certoglu et al, 2015) and have also led to a decrease in consumer prices (Balkan and Tumen, 2016). Positive impacts on wage levels for Turkish workers were also found due to

occupational upgrading from the creation of higher-wage formal jobs. Refugees can also help make the EU labor market more resilient to country-specific shocks while migrants can reinforce cross-border labor mobility within the EU. Research from the U.S. has shown that refugees with specific skills are more responsive to wages differences across States, thereby relieving labor shortages and improving labor-market efficiency (Edo, Hillel, 2019).

2.5.1 Refugees and labor market impacts

A constant preoccupation of the refugee literature has been measuring the labor market effects of migration, and principally on native workers' wages. For example, Borjas (2003) finds that immigrants significantly harm native wages in the USA, while the effect in Card's study (2009) is minimal and positive in Ottaviano and Peri (2012). The empirical controversy is caused by a methodological variation in measuring the effect of migration, which identifies effects that are not comparable among them (Dustmann et al., 2016).

Clemens and Hunt (2017) concluded that the evidence from refugee waves "reinforces the existing consensus that the impact of immigration on average native-born workers is small, and fails to substantiate claims of large detrimental impacts on workers with less than high school" (Clemens & Hunt, 2017: from abstract). Foged & Peri (2015) studied the impact of refugees in Denmark by using a national database that follows each individual over two decades, even if they changed residences and jobs. They found that refugees did initially displace small numbers of existing workers. However, the inflow of low-skilled refugees encouraged natives to upgrade their skills, taking advantage of immigrant-native complementarity to spur mobility and increase specialization into more complex jobs, where they were more productive. The most affected natives typically ended up earning 3% more than they had before.

2.5.2 Refugees and entrepreneurship

Another equally important positive outcome is the notion that refugees have been exerting a positive economic impact on their hosts, by attracting nationwide or international development corporations to work with the local community alongside aid workers (Milner 2016). Moreover, they participate alongside those same refugees whose work can contribute to agricultural, technological, financial gain, and communal production as a whole and flourish the economy (Milner 2016). Delving into one example and focusing on the Ethiopia and Jordan Jobs Compacts

as they begin to evaluate and study additional research on the economic impacts of hosting refugees and supporting its growth and spread. Likewise, about Tanzania, Milner writes "One NGO [non-governmental organization] worker remembered that when he arrived in Kibondo in 1997, only two buses a week passed through the town, there were very few consumer goods for sale in the local shops, and there was only one telephone line out of the town. By 2004, there were three or four bus services a day, each bringing a wide range of fresh consumer goods into town, and two companies providing coverage for mobile telephones (interview, Kibondo 2004; IRIN 2002b)" (Milner 2009b, 126). The examples where the local communities accepted its growing foreign workers and provided them with the necessary tools all proved to pay dividends on the latter stages, as these same refugees can spend more in their host communities, circulating these funds into the community and towards local and communal goods and services. This is proved by a recent study on Congolese camps in Rwanda where cash aids and in-kind assistance ended up proving a boost to the local economies that assisted the former (Taylor et al. 2016).

Likewise, another study of Mozambican refugees in Malawi highlights "the creation of employment, the accrual of benefits to the local population, the stimulation of local commerce and an improved international image (Dzimhiri 1993)". It was summarized and accepted that the presence of refugees in a local community demands and produces the existence of international aid, which would go onto altering these same local economies. These societies are taken care of by the United Nations, NGOs, and other international aid organizations, pumping a considerable amount of time, energy, and resources into transforming these same regions into habitable frontiers for their indigenous habitats and their newer neighbors. As a result, it encourages the likelihood of the flow of cash into local markets, developing and maintaining the housing market and real-estates, and establishing a solid basis for community growth by investing in infrastructures and reinforcing relations with local authorities to spread peace. This can guarantee the inflow of local and national investors and the rise of society.

2.6 The net contribution of refugees to host countries shows winners and losers

The successful integration of refugees allows them to make a positive contribution to development. As shown above, refugees can have positive impacts on the receiving countries, and the net impact in the short- and long-run will depend on the characteristics of the refugees, as well as the economic and political context of the host countries. A large literature measures the effect of refugees on sending and receiving countries. This section will focus only on the study of receiving countries. The bulk of existing work focuses on refugee inflows in high-income economies and,

to a lesser extent, outflows from middle- and low-income economies. The vast majority of empirical studies recognize that it is a phenomenon that does not randomly distribute across the population of the country of origin.

First of all, the time frame and the duration of displacement will partly determine the costs and contributions of refugees to the host country as costs may outweigh benefits in the short-term. The socio-economic characteristics of refugees, such as gender, age, family composition, education, skills, and social networks, also affect the socioeconomic impact of displacement. In addition, macroeconomic and institutional factors of the host country will determine the capacity of the country to integrate refugees (Kulhman, 1990). Other findings confirm Kulham's study that education, gender, and household composition are the most important predictors of refugee's economic adaptation (Potocky-Tripodi, 2003).

Refugee inflows may have heterogeneous effects on the host society and population, creating both winners and losers. Ruiz and Vargas-Silva (2013) show that the impact of forced displacement after the World War II has been positive for many displaced groups due to effective resettlement policies, increased future mobility and fast transition to sectors outside the agriculture sector. However, when looking at developing countries as host countries, the outcomes are less encouraging for refugees. The evidence shows negative labor market outcomes, less income, and less consumption smoothing. The findings are mixed for host countries and their native-born population. There seem to be, as reported previously, both winners (employers in the agriculture sector) and losers (native-born agriculture workers).

2.7 Economic outcomes of refugees

2.7.1 Effect on population dynamic

The world's population aged 60 or over is projected to double from 962 million in 2019 to 2.1 billion in 2050. The future pace of population aging is expected to vary significantly across the world's regions. In the more developed regions, the median age is projected to increase from 41 in 2015 to 45 years old in 2050. In the less developed regions, it is projected to rise from 28 in 2015 to 35 years old in 2050. Because international migrants comprise a larger proportion of working-age persons compared to the overall population, positive net migration can help reduce the old-age dependency ratio. In some parts of the world, the old-age dependency ratio would be higher in the absence of migration. In 2019, around 74% of international migrants were of working age

(20 to 64 years of age), with a slight decrease in migrants younger than 20 years old, from 2000 to 2019 (from 16.4% to 14%). (IOM 2019)

2.7.2. Effects on innovation and technology

In this context, innovation is an important factor for any analysis of international migration and economic growth. Migration can contribute to innovation and refugees can benefit economically from innovation. For example, refugees may foster service trades to all destinations by increasing the overall productivity of the firm, thereby increasing the profits associated with overseas sales (Wright, 2014). Potential sources of these productivity gains are a diversity effect in which refugees foster creativity and help generate new ideas. The specializations in which they possess a comparative advantage in performing certain production tasks allow greater division of labor within the firm. “When these productivity gains are large enough and firms face fixed barriers to exporting, the gains may help firms to overcome these barriers and access foreign markets they might not otherwise serve” (Ottaviano et al., 2015). Immigration may also generate productive externalities via the creation of new productive knowledge, especially in science and engineering, (Kerr and Lincoln, 2010; Hunt and Gauthier-Loiselle, 2010; Peri, Shih, and Sparber, 2015), the contribution to economic activity in urban centers through agglomeration (Moretti 2004a, b; Iranzo and Peri, 2009; Moretti and Thulin, 2013; Ciccone and Hall, 1996), and via more efficient labor markets (Ellison, Glaeser, and Kerr, 2010; Greenstone, Hornbeck, and Moretti, 2010; Chassamboulli and Palivos, 2014).

2.7.3. Effects on growth

Highly educated labor generates new productive knowledge, technology, and more efficient organizations of resources. There is evidence of a positive causal relationship between the agglomeration of highly-skilled individuals (especially with a scientific, engineering, and technological background) and economic growth. For example, Moser et al. (2011) show how Jewish scientists seeking refuge from Nazi Germany at the beginning of the 20th century were responsible for significant growth in the U.S.’s patenting activity in several fields. An influential study by Hunt and Gauthier-Loiselle (2010) finds that the large number of immigrants with science and engineering degrees in the U.S. adds significantly to the number of patents granted. A one percentage point increase in the immigrant college graduates population accordingly leads to an increase in patents per capita by 9 to 18 percent. Hunt (2011) and Kerr and Lincoln (2010) find complementary evidence regarding immigrants’ contribution to general productivity, increasing

activities such as patenting, publishing, and company start-ups. These findings support the stance, common in the immigration policies of several high-income destination countries, on actively competing to attract highly-skilled foreign labor.

The literature also highlights that the generation of new productive knowledge is favored when highly-skilled labor operates in a creative environment, when different cultures mix (Sassen, 1991; Florida, 2002), or when there are opportunities to interact (Dowrick and Tani, 2011). Ethnic diversity seems to also generate productivity benefits (Audretsch and Feldman, 1996, Glitz, 2014, Suedekum et al., 2014, Trax et al., 2015), especially if diversity implies that no immigrant group constitutes the majority in a given region and immigrants do not segregate into enclaves. As found by Akay, Constant, Giuliatti, and Guzi (2016), in such a case, refugees communicate using the language of the host country. This contributes to increased economic interactions between natives and immigrants and promotes the emergence of reciprocal spillovers. Immigrants will enjoy higher job opportunities; and natives will have the opportunity to access a more diverse set of skills, consumption goods, and networks.

2.7.4 Effects on foreign direct investment

Refugees themselves can bring financial assets to their host countries (either their own, friends, or relatives) and use them to invest in the country. For example in the U.S., entrepreneurial refugees may take their business with them when they leave their origin country, and the foreign capital has a role to fund these small businesses. It is also noted in a report of the U.S. Small Business Administration (Fairlie, 2012). On the other hand, Mayda (2017) examined the impact of refugees in the U.S. after resettlement on FDI. She concluded that a 10% increase in the number of refugees, initially placed in a given commuting zone within the U.S., increases FDI from their country of origin by 0.19%. Refugees often keep close ties with family and friends in their countries of origin. Therefore, “they can stimulate FDI inflows by providing information on local business opportunities in a given location. In addition, refugees can help overcome problems of imperfect contract enforcement where not all aspects of business interactions can be regulated by a contract. However, tight communities such as refugees’ networks can provide an informal way to monitor business interactions and reduce risks” (Mayda, 2017).

2.7.5 Effects on crime

There is a substantial amount of literature examining the criminal involvement of refugees, such as those of legal status on migrants' criminal involvement (Mastrobuoni and Pinotti 2015, Pinotti 2017). Others rather focus on the link between refugee's flows and criminal activity. Within this latter group, much of the work focuses on Europe (Bianchi, Buonanno and Pirotti 2012, Nunziata 2015, Piopiunik and Ruhose 2017). In the United States, Butcher and Piehl (1998) fail to find a significant link between immigration flows and crime at the city level. However, Spenkuch (2013) concludes that immigration has a small positive impact on property crime, but none on violent crime. Chalfin (2014) claims that there is little to no evidence of linking immigration to crime. In 2015, he showed that the cases of aggravated assault are those crime rates lifted by immigration (Chalfin 2015).

For refugees', prior exposure to violence may increase their likelihood to perpetrate future violence. As a result, the relative social and economic deprivation from opportunities may increase the propensity to engage in criminal activity (Depetris-Chauvin & Santos, 2018). Whitaker (1999), on the other hand, argues that host populations do not always blame refugees for changing social dynamics. They see the events as an inevitable result of the drastic population increase in the area. Other studies, with a more optimistic perspective, argue that an influx of immigrants might revitalize communities and spark beneficial neighborhood social processes which will ultimately increase safety (Feldmeyer, Madero-Hernandez, Rojas-Gaona, & Sabon, 2019).

Due to large refugee flows, there is literature examining the criminal involvement of refugees or individuals of alike legal status in a few European countries. For instance, focusing on a large wave of asylum seekers settling in the United Kingdom in the 1990-2000 period, Bell, Fasani, and Machin (2013) explored if crime rates are related to asylum inflows within the same jurisdictions. They conclude that, while violent crime is unaffected by asylum inflows, there is a very slight upward bump to property crime. This can be explained by the few economic opportunities presented to refugees. They were barred from working for six months which may have raised their propensity to commit property crimes relative to immigrants with immediate work-eligibility. Likewise, Gehrsitz and Ungerer (2017) point to similar patterns where they document increases in non-violent crime rates associated with the recent and large 2014 and 2015 refugee influx into Germany. A somewhat more ominous finding is obtained examining Switzerland as a refugee destination. Couttenier et al. (2017) conclude that asylum seekers exposed to civil conflict or mass killings as children are more likely to commit violent crimes relative to

asylees from the same country who were not exposed to the same events during their childhood. Findings from Amuedo-Dorantes et al., 2018 also found that if refugees quickly find employment and do not suffer considerable income losses upon arrival to their new location, they would be less likely to engage in criminal behavior. In addition, the geographic and temporal variation in the distribution of refugees across the U.S. counties reveals that refugees do not seem to have a significant impact on local crime rates.

It can be concluded that refugee inflows are not necessarily associated with an increase in crime rates. The results are robust, focusing on counties receiving larger refugee inflows or restricting our attention to refugees from specific national origins. For example, refugees in the U.S. are matched to resettlement, sponsoring agencies, which provide them with three months of service to facilitate their integration into the job market and acclimate to life in the country. These agencies most likely monitor refugees and had previously collected some data on their economic status provided by the U.S. government, thus enabling them to detect and correct inappropriate behaviors early in the integration process in the U.S.

2.7.6 Effect on gender-ratio

One key measure of integration that has significant impacts on the labor market and other important outcomes of immigrants is their inter-marriage patterns (Meng and Gregory, 2005; Furtado and Theodoropoulos, 2010; Furtado and Trejo, 2013; Gevrek et al., 2013; Chi, 2015). One of the important variables driving inter-marriage patterns is the gender-ratio among immigrant communities (Angrist, 2002; Meng and Gregory, 2005; Furtado and Theodoropoulos, 2011; Furtado and Trejo, 2013). The gender-ratio is the ratio of males to females in a population, scaled such that a ratio of 100. It represents an important gender balance in marriage markets, meaning an equal number of men and women. While the natural gender ratio at birth is typically greater than 100 (Jacobsen et al., 1999), a standard model of a marriage market is when females would have more bargaining power when the gender-ratio is above 100 and males would have the upper hand when the ratio is less than 100 (Grossbard, 2014). Thus, obtaining a better understanding of demographic patterns in the gender-ratio of refugees is a key for a more general understanding of immigrant integration. Recent papers have presented evidence that immigration has not changed in a gender-neutral way. Norlander and Sorensen (2018) show that immigration has slowed down at historic rates since the turn of the 21st century and has been steeper for men than for women. Donato et al. (2011) study how gender migration patterns have changed to many sending countries around the world and document that female refugees have recently become

relatively a larger share of the foreign-born in the U.S, causing gender-ratios to fall. On the other hand, Hofmann and Reiter (2018) explore variation across geography in the U.S. Their work finds that the gender-ratio for entire immigrant populations has trended downward between the 1990s and the 21st century. In 2018, a study done by Catañeda and Sørensen, documenting forces driving the change in the gender-ratio in the U.S., found that younger cohorts are less male-dominated than older cohorts, holding constant age and place of birth, thus decreasing the gender-ratio.

To conclude, immigration has recently become more gender-balanced, with the overall stock of immigrants becoming less male-dominated, and the flow of new permanent residents becoming less female-dominated. This is a first step towards understanding changes in the gender-ratio, a fundamental component of the marriage market. This affects not only the number of men to women and individual's network but also the quality and desirable demographic characteristics of potential partners such as age, education, and income (Grossbard-Shechtman 2003). Given the demonstrated importance of inter-marriage outcomes on immigrant assimilation, changes in immigration policy, or changes in labor demand could be the key drivers of outcomes that may be affected by the changing gender-ratios.

SECTION 3: IMMIGRATION POLICIES

Migration policies are established in order to affect the behavior of targeted categories of migrants in an intended direction. It can be argued that international migration policies (labor market integration, naturalization, skills and qualifications, quotas, etc.) are laws, regulations, and measures, that national states define and implement with the implicit objective of affecting the volume, origin, direction, and internal composition of immigration flows. In recent years, many countries have adopted these policies as part of their national strategies and development plans. Examples include Bulgaria, Chile, the Czech Republic, Finland, Ireland, Lithuania, Mexico, Poland, and Slovakia (OECD, 2011; 2012; 2013). Policies play an important roles in minimizing negative impacts on certain groups in the host countries. In this section, we define what a migration policy is, its effectiveness, and gaps. We also discuss some policy implementations, showing that development assistance tends to be more efficient if it jointly targets refugees and the host population. The main strands of the EU's and the UNHCR targeted policy responses will also be examined.

3.1 Migration Policies

Migration policies are shaped in a political-economic context in which the attitudes and preferences of politicians and voters, interest groups such as employers, trade unions, and human rights organizations compete with one another (Boswell 2007; Facchini and Mayda 2008; Facchini and Willmann 2005; Mayda 2006). This competition results in policy regimes that are typically a mixed bag of regulations and measures. A concrete example would be that of Benhabib (1996) where he studied how migration policies, that impose capital and human capital skill requirements on heterogeneous immigrants including refugees, would be determined under majority voting when natives vote for policies that will improve their economic well-being. According to him when the migration policy is in place, immigrants will continue to arrive in a country period after period, and if eventually they are accorded voting rights, they will influence subsequent immigration policies. A population with limited foresight may restrict immigration when the proportion of new immigrants gets too large, or when a myopic policy will swing the median voter in the subsequent period and initiate a major policy revision, (Benhabib 1996). These policy regimes are seen as opportunity structures by migrants and are likely to opt for the most convenient migration channel.

3.2. Migration flows policies

When we refer to objectives to increase or reduce migration flows or to maintain them at current levels one has to look at the volume of inflows. Immigration quotas used by traditional immigration countries such as the United States and Australia, or the immigration migration caps recently implemented by the United Kingdom, are examples of policies that seek to affect the volume of inflows. There exist other policies that intend to change the composition of migrant flows in terms of countries or regions of origin. Nowadays, countries increasingly favor the immigration of citizens of free mobility regimes, such as in the European Union or the Economic Commission of West African States (ECOWAS). This often goes hand in hand with increasing restrictions on refugees from “third countries” (Geddes 2012). Other policies, like the selective policies, tend to target the internal composition of flows by encouraging or discouraging the immigration and settlement of particular categories of migrants, such as asylum-seekers, family migrants, high- and low-skilled labor migrants, business migrants, and students. They aim to affect the skills, income, and class composition of migrant inflows, based on perceived economic needs and social desirability of different types of immigrants. Over the last two decades, increasing restrictions on low-skilled labor migrants have co-evolved with policies that favor the immigration of high-skilled labor migrants and students.

The objectives of these policies can overlap since they tend to select migrants according to a class background that can be an indirect and covert measure to influence the national, ethnic, and religious origins of migrants. Policies favoring high-skilled migrants can also have the objective of reducing immigration from poor or culturally distinct countries. For instance, in the Netherlands, Geert Wilders, the leader of an anti-immigration political party, has presented restrictions on family migration from countries such as Morocco and Turkey as a measure to reduce Muslim immigration, whereas mainstream political parties presented it as a measure to decrease low-skilled immigration (Czaika, De Haas, 2013).

3.3 Immigration policy effectiveness

To bring greater clarity to the debate surrounding migration policy effectiveness, we need to define policy effectiveness in general. The relevant migration literature rarely defines effectiveness and it can create confusion that may account for much of the disagreement about the immigration policy effectiveness.

Czaika, De Haas (2013) insists that effectiveness is related to policy objectives, and thus adds an evaluative and subjective dimension to the analysis of the effects of migration policies. In other words, a policy may have an effect, but may be judged too small to meet the stated policy objective or may even be in the opposite direction to the intended effect of migration. However the measurement of policy effects on migration is primarily a methodological challenge and the intended effects are hard to measure. As with most policies, migration policies are typically a compromise between multiple competing interests (Bonjour 2011; Boswell 2007; Boswell and Geddes 2011; Freeman 1995). These competing interests exist across and within political parties, governments, and bureaucracies. For instance, trade unions have historically seen immigration as threatening the wages and interests of native workers. However, recently trade unions in several countries such as the US have become more favorable toward immigration, since migrants can also be seen as new constituencies, while business associations are typically favoring more liberal immigration policies. In addition, these competing interests, compel governments either to avoid adopting harsh immigration laws or to turn a blind eye to illegal immigration and employment. This competition alone cannot explain the gap that exists between the natures of migration policies.

3.4 Conceptualizing policy gaps: discourse and implementations

A considerable gap between public discourses and policies implemented exists mainly due to the effect of actually implemented policies on migration. The discursive gap may be considered as to the extent for what is falsely perceived as immigration policy failure. This can be interpreted as the discrepancy between what is written on paper and the actual implementation.

This efficacy gap is a source of possible policy failures. It reflects the degree to which the implemented laws, regulations, and measures have the desired effect on the volume, timing, direction, and composition of migration flows discussed previously. Targeted policies attempts will be next discussed. They can be viewed as a source of influence on particular migration categories.

3.4.1 Bridging Gaps through flexible education and vocational training

The process of assessing skills and qualifications often reveal gaps that need to be filled before refugees can access the jobs for which they were trained. Addressing these gaps depends as always on the country-specific recognition rules, labor market and training structures, and available

funding. A lack of proficiency in the host country's language must be tackled to allow refugees to fully utilize their skills. In this concept, the UNHCR has formed and successfully piloted the Humanitarian Education Accelerator (HEA), an initiative that aims to identify and support the scaling-up of projects and programs that address known challenges of learning for refugees and displaced communities. HEA is supporting the scaling-up of promising practices and evidence-building in countries such as Jordan, Kenya, Lebanon, Rwanda, and Sudan. For highly skilled migrants, provisions for bridging and other tailored programs that contain the component work are the golden standard for skilled migrants (UNHCR Global Appeal report, 2018-2019). Career pathway courses, bridging courses for highly-educated migrants, for mid-skilled occupations, and fast-track courses for refugees are examples of such programs. They help compensate for country-specific differences in the training and practice of a given profession, without making people restart their education and careers from the beginning. They also go a long way towards improving migrant's employment and self-sufficiency, as well as using their valuable knowledge and skills. However, this tailored bridge program is a resource-intensive effort in terms of funding, time, and human resource needed to supervise the training. It is a reasonable solution in cases where a significant number of migrants have foreign-acquired credentials in occupations that are high in demand in the receiving countries. As for low-skilled workers, temporary exemptions from the minimum wage are already possible in some countries, such as Germany where long-term unemployed are exempt from the minimum wage for the first six months of employment (COM 2016.) Furthermore, weakening minimum wage legislation beyond being politically controversial and being a sensitive issue for social partners, particularly trade unions, may exert negative pressures on demand and prices at a time when deflationary forces are strong. In those countries where they are high, the alternative solution for low-skilled workers may have more positive effects, if financed in a growth-friendly way.

Taking that into consideration, it is important to keep monitoring labor costs. When the skill set and working experience of refugees are such that their marginal productivity is low, the overall labor cost, when entering the labor market, may discourage hiring sometimes even at the minimum wage. Among active labor market policies, wage subsidies paid to private-sector employers are particularly effective in aiding the integration of migrants into the labor market (Butschek and Walter, 2014). This policy was considered the most effective at improving the likelihood of refugees' finding regular employment in Denmark. In addition, carefully designed hiring subsidies, targeted programs aimed at temporarily reducing the tax wedge, or a more gradual tapering of the withdrawal of benefits, could significantly facilitate the gradual integration of refugees into the labor market. Such programs should be temporary in nature (to avoid the

formation of a double labor market) and are already in place in several member states, often associated with training schemes and generally targeting the long-term unemployed.

Since migration is one of the ten priorities of the European Commission, a European Agenda was proposed in May 2015 and it recognizes migration as both an opportunity and a challenge for the EU. It sets out medium- to long-term priorities that will help the Member States to manage the challenges, looking beyond the crises and large inflows of migration, to capitalize on the opportunities. It has four pillars: to reduce the incentives for irregular migration; to save lives and securing the EU's external borders; to strengthen the common asylum policy; and finally to develop a new policy on legal migration (COM 2016). The progress made and further actions needed have been spelled out in a number of the Communications adopted by the Commission in recent months (COM 2016).

3.5 Active refugee admission policies

The intensifying externalization of EU borders as well as restrictive asylum policies in several Member States in the case of the European Union, make it increasingly difficult, or even impossible, to claim asylum status on European territory. Several European countries are expanding their existing programs or introducing new ones. One of several active refugee admission policies is traditional resettlement known as ARAPs, alongside, for instance, humanitarian admission, private sponsorship, and scholarship programs. Often subsumed under the term resettlement, ARAPs is a broader concept partly reshaping the political objectives, target groups and actor constellations of traditional resettlement policies.

The term 'Active Refugee Admission Policies' (ARAP) is a wide range term belonging to different forms of admission policies and programs specifically aiming to target persons who are considered in need of humanitarian protection by admitting states. It describes all admission pathways with humanitarian scope offering people in need of protection safety and orderly access to a destination country. The Active Refugee Admission Policies are distinct from individual asylum as well as forms of humanitarian protection following arrival to a prospective country of refuge. ARAP covers a variety of programs such as the traditional refugee resettlement that has been defined by the United Nations High Commissioner for Refugees (UNHCR) as the 'transfer of refugees from an asylum country to another state that has agreed to admit them and ultimately grant them permanent settlement'. It also includes humanitarian admission programs which, in contrast to refugee resettlement, usually focus on temporary protection. Compared to traditional resettlement, selection criteria's are more flexible. Offering either temporary,

permanent protection or private sponsorship programs rely on private support and funding. The voluntary and discretionary nature of active refugee admission policies also gives admitting states the opportunity to set their own priorities in line with strategic interests, for instance with regard to target regions and additional selection criteria.

3.6 Policy options, adaptation and effects

3.6.1 Host country policy

Our literature review points out that the labor market is a pathway to adaptation for refugees' interaction with their host countries and creates positive impacts on economic development of host populations. As we have seen, policies play an important role in minimizing the negative impacts on certain subgroups of immigrants in the host communities. Ethiopia, Rwanda, and Uganda are recent countries that have initiated the so-called refugee self-reliance policies that permit refugees to farm, work, or engage in entrepreneurial and industrial activities, often in special economic zones such as refugee camps (Maystadt et al. 2019). These policies have a positive impact on the economic and food security situation in the hosting areas (Taylor et al. 2016, Alloush et al. 2017). In Rwanda, refugees were allowed to interact with the host-country population, and those who received cash transfers seemed to generate more economic benefits than those who were given food assistance (Taylor et al. 2016). This policy appears to have facilitated positive economic outcomes from refugees' participation in the labor and goods markets. In the case of Ethiopia, anecdotal evidence suggests that Eritrean refugees residing in the Adi Harush camp benefited from loan and vocational training programs administered within the confines of the camp (Mallett et al. 2018). However, beneficiaries who invested in microenterprises soon encountered market saturation challenges, as they were not permitted to expand and sell outside the camp (Mallett et al. 2018, Zetter & Ruaudel 2018). On the other hand, in Uganda, Congolese refugees were found to benefit from agri-entrepreneurial activities, which were permitted under the Refugee Act, although they were often required to pay fees for a work permit in the capital city of Kampala (Betts et al. 2017). Even though some countries, such as Ethiopia and Jordan have already started creating special economic zones for refugees to work and be productive, it remains to be examined how effective they are with simply allowing the refugees to engage in the regular economy (Maystadt et al. 2019).

3.6.2 Short and long-term effects of migration policies

As we know by now, the refugee's crisis has urged the EU into taking some steps to move away from a regime of spontaneous migration in search of asylum and towards a regime in which refugees are taken into Europe through resettlement. The EU is known as an aging region with a higher income level than many of its neighbors and the countries from where most asylum seekers are now coming. It can be expected to remain a destination for onward migration flows in the future. Due to these conditions, a comprehensive policy response is needed that includes adequate investments by the Member States in integration policies and a long-term view that is going beyond crisis management. It is essential to turn the refugee crisis into a partial response on how to enhance fiscal sustainability within the EU as migrants and refugees also bring costs to the host countries. A coordinated approach and a long-term perspective are needed to turn the perceived threat in the public debate into an opportunity. This can be done by emphasizing that refugees are a source that will help to make the EU labor market more resilient to country-specific shocks by reinforcing cross-border labor mobility within the EU.

Research from the U.S. has shown that refugees with specific skills are more responsive to wages differences across States, thereby relieving labor shortages and improving labor-market efficiency. Since the categories and characteristics of migrants are different, the EU is putting efforts to speed up or limit the build-up of bottlenecks and a lengthening of the reception phase can be critical. Moreover, a drawn-out 'enforced idleness' and isolation from host communities can reduce the effectiveness of subsequent integration measures (UNHCR, 2009).

Given the importance of employment for refugee's net contribution to society, an early evaluation of skills, in particular for migrants that are likely to be recognized, can make it easier for authorities to locate them to areas where their skills are in demand. This can also possibly encourage starting with training even before the recognition decision (COM, 2016). A growing number of EU Member States have recently started to offer skills assessments to asylum seekers in reception facilities. For example, Germany has piloted a structured program where detailed screening of asylum seekers forms the basis of tailored training and employment support packages. Newcomers are offered a personalized package of language classes and vocational training programs. However, early skills' assessments of refugees frequently reveal substantial gaps in host country-specific human capital: the limited language and soft skills, the lack of recognized qualifications that need to be addressed before being able to participate in employment programs, or enter further education. Vocational training could in some cases represent the first set of integration measures and make the waiting period more useful.

3.7 Policy objectives

General objectives are concerned with the overall volume and composition of the refugee population. For instance, high- and low-skilled workers, family reunification, student migrants, migrants from OECD vs. non-OECD countries, etc., all tend to be subject to different immigration regimes. On this level, migration policies can be seen effective if the analysis shows that they have the desired effect on inflows or outflows of the targeted category when simultaneously taking into account all other theoretically relevant sending and receiving country migration determinants.

3.7.1 Fighting the aging population

Migrants and refugees can be a beneficial opportunity in the case of EU countries. They can be a tool to address the EU's shrinking labor force and the aging population. Predicted figures show that the EU's working-age population is expected to decline by some 3.5 % by 2020 and labor supply shortages could become bottlenecks to growth. The aging trend is estimated to bring demographic challenges in the next decades that could, to some extent, threaten the future growth of the EU economy. Policies that boost activity and employment rates in the domestic EU labor market, by increasing the activity rate of women and resident third-country nationals, as well as fostering intra EU mobility of the EU workforce including migrants, can help compensate the aging trend (COM report, 2016). Important factors such as legal migration and refugees could alter the age distribution, maintaining the optimal level of the workforce in the EU, and helping to fill structural skills' shortages. In this way, they could contribute to the sustainability of the welfare systems and the growth of the EU economy. In the U.S., immigration policies sustaining the current fiscal policy do exist and are characterized by an increased inflow of middle-aged, high- and medium-skilled immigrants. A reform in these policies alone could resolve the future fiscal problems associated with the aging of the baby boom generation (Storesletten 2000).

In recent decades, the UNHCR, the UNDP, the bilateral and multilateral agencies have implemented initiatives aimed at targeted development assistance (TDA) to generate "win-win" solutions for countries and populations affected by forced displacement (UNHCR, 2009). The assumption is that even in a refugee crisis, there are development opportunities that can bring benefits to the refugees and host populations and also prepare the refugees for sustainable solutions, including the return, settlement in a country of asylum, or a third country.

3.7.2 Supporting the labor market integration of refugees

To tackle multiple elements that hamper refugee's labor market integration, a comprehensive set of policy measures in different areas is required. A first policy tool for successful integration is social housing and urban planning. Although the short-term priority is to manage the arrivals of asylum seekers, it is essential to have in place a medium-term strategy at the local and municipal level to facilitate the integration of refugees. Inaccessible rental markets and a shortage of social housing may not only limit the chances of finding proper accommodation but also of integrating into the labor market. Bakker et al. (2014) find that staying for too long in asylum accommodation, for instance, more than five years, had a negative impact on the labor market integration of refugees in the Netherlands. In those Member States where the stock of affordable housing is low and prices are high, such as Sweden, policies may also be needed on the supply side, to encourage the construction of new housing.

Labor market measures to facilitate the integration of migrants into labor markets would also improve the employment prospects of native workers. This is the case with measures to encourage entrepreneurship among refugees. Several European countries have seen enthusiastic public participation in refugee reception and integration support. However, there are concerns that public expenditures, NGO activities are increasingly being channeled to refugees. Measures aimed at improving the performance of the labor market and reducing unemployment should be beneficial for native workers, as well as refugees. Effective communication in countries with strained labor markets is essential to stimulate a balanced public debate and most importantly generate public support for these measures. A study based on data from 2007-2008 shows that in the majority of OECD countries, migrants are more likely to be self-employed than non-migrants. Through self-employment or entrepreneurship, refugees can also contribute to the economic growth of their host countries which not only enables them to sustain their livelihood but can also create jobs for their communities and among native-born (OECD/COM, 2013). As discussed by the IMF in 2016, measures that strengthen refugees' capacity for entrepreneurship by easing the procedures for the creation of new firms, facilitating access to financing, as well as having adequate market access and start-up support could be an important tool in attracting public support. Moreover, this can also decrease the fear of the native population that the current migration flows are bound to generate sustained higher unemployment.

3.7.3 Fostering entrepreneurship

Acquiring a job in the highly developed labor markets of many EU's and OECD's countries may be a long term challenge for refugees, requiring years of training. Entrepreneurship may offer a valuable alternative for those who lack skills and adequate credentials to enter the local labor market to gain initial work experience in the hosting countries. Measures to support entrepreneurship among migrants have gained new momentum over the past two years, fostering highly technological, innovative migrant business ventures and also as an integration tool. In this context, several initiatives have been launched that specifically target this group of newcomers. This includes start-up support that offers advice, training mentoring, and in some cases access to microfinance. It is a way that the UNHCR is implementing as part of its goal to find durable solutions that allow refugees to rebuild their lives in dignity, safety, and peace. By partnering with the Swedish International Development Cooperation Agency (Sida) on the establishment of a credit guarantee facility to incentivize the provision of debt funding by impacting investors to financial service providers (FSPs), they are willing to provide microcredit loans for business and consumption to refugees and host communities in Jordan and Uganda. In addition, the UNHCR is also partnering with UNCDF on a broad facility targeting a variety of FSPs in nine countries in Africa, to promote access to credit, savings, payments, and micro-insurance for forcibly displaced populations and host communities.

At a more policy-oriented level, it can be argued that both skill and price mismatches are likely to be at play in the early phases of refugees' integration. For instance, as long as prospective job-seekers do not obtain a certain degree of language proficiency, the wage floor and other regulations may well be a secondary issue. In such circumstances, active labor market policies or integrated programs, combining skill development for employees with cost incentives for employers, may be a better solution.

3.8 Policy change and future work

Policymaking in 2015 took place within nationally-confined public discourses, where the media played an important role in framing the issue. The exact causal relationship between the problem definition processes that take place in the media and between policy actors is undoubtedly complex, multi-directional, and insufficiently theorized (Mehta, 2011). Previous research indicates that policy actors in the immigration field are highly conscious of media coverage and adapt their practices to this (Thorbjørnsrud, 2015), but also journalistic framing is shaped by

national cultural repertoires and institutions (Benson & Saguy, 2005). The results represent an appeal for pause and thought in a period when migration policies are fast-changing and have often are driven by populist parties and the media that influences public opinion.

However, if this displacement known as migration is to be encouraged, it is of utmost importance that mechanisms, facilitating the dialogue across groups and the integration of migrants, are in place to guarantee that diversity is transformed into higher and durable economic activity over the short-, medium-, and long-term. In a time when formal burden-sharing schemes are now being taken more seriously, their potential to increase the total capacity to host refugees has not been realized. If applied to a resettlement program this could command much more widespread public support. Indeed, an important argument for shifting to such an alternative refugee regime is that it would work with the grain of public opinion rather than against it, as the current system does.

The road ahead could zoom in on policy changes that result from exogenous shocks unrelated to migrant flows. For instance, one can think of adjustments in refugee policy that are by-products of political shifts, resulting from elections that were dominated by non-refugee topics. In the future, systems should focus on those most in need of protection, putting fewer lives at risk, and ideally supporting broader segments of the EU population. The latter can be done by sketching stricter border controls, direct resettlement of refugees from first-asylum countries, and enhance burden sharing among destination countries.

The hard work going forward will be to fill in this broad road map with more concrete proposals. Moreover, matching migrants with fitting host countries and communities make sense in principle but may be difficult to implement in practice. For instance, recent experimental evidence by Bansak et al. (2016) indicates that preferences for particular types of refugees are surprisingly homogenous across demographic groups within the EU countries, as well as across other countries. Most EU citizens have preferences and mainly support asylum seekers who are more readily employable, are most vulnerable, and are Christian rather than Muslim. This is the case in Poland where making matching is difficult. Coming back to the previously mentioned argument, the importance of factors such as economic growth, labor market structure, education, inequality, and conflict points out to the role of non-migration policies and institutions and, more generally, of nation-states in shaping migration processes.

Looking at these policies one cannot help to question why the EU still faces difficulty in managing its migratory influx and where does it come from. The first explanation is that European migration politics are inadequate given the scale and nature of the studied phenomenon. Thomas Lacroix (2016) explains that the goal of the European Union's current policy is border control. According

to him, it "is a crisis in European immigration management policy" (Lacroix 2016). This policy is mainly designed to regulate migratory flows of a certain magnitude, filtering the entry of people with the economic needs and means of the European Union. This method is very ill-suited to the scale of current population movements. Moreover, the European Union's control over humanitarian migrants is weak.

A second potential explanation could be the lack of coordination between the different European asylum policies (Weber 2016, Hatton 2005). Since the 2000s, the EU has been trying to build a "Common European Asylum System". Today, it is made up of five pieces of different legislations. All of these measures promote partial European policy convergence. Unfortunately, integration policies have not benefited from this unification. Although there are basic principles, policies for the integration of migrants were not, at the beginning of the crisis, unified. The design and implementation of these policies depend on national powers. The latter explains the eventual lack of coordination (European Commission, 2016b).

On the other hand, the OECD attributes the lack of legal tools to the difficulty of managing compound flows mainly humanitarian migrants: "When international agreements are required, it is generally more difficult to make rapid adaptations, in particular, due to the absence of a framework of predefined adaptation to migration shocks [...]. At the international level, all existing are optional or purely advisory. In addition, apart from the convention of UNHCR of 1951, relating to the status of refugees, few are the instruments specifically designed to deal with geopolitical shocks [...]" (OECD, 2016b, p.170). We can conclude that the difficulty of having effective international cooperation is notably due to the reluctance of countries to reach an agreement on the division of responsibilities (OECD 2016b). However, Moraga et al. 2018 propose a framework to reduce the expected cost for receiving countries in three ways. First, the tradable quotas system allows countries to contribute to refugee's resettlement either through visas or through money. That will make it possible for countries to exploit their comparative advantage in hospitality. Second, the fact that refugee's preferences over destinations are taken into account makes them less likely to leave the country and improves their integration prospects, thereby reducing the cost of integration. Lastly, the fact that countries can express their preferences over the type of refugees they would like to host reduces also the expected costs.

CONCLUSION

The number of asylum seekers arriving in the EU has reached unprecedented levels, with about an increase of 22 % in the fourth quarter of 2019 compared with the same quarter of 2018 and by 11 % compared with the third quarter of 2019 (Eurostat, 2019). While that number is lower than in some other parts of the world, the surge in arrivals has put considerable strain on the several Member States, where managing, and subsequently integrating, these inflows have increasingly affected public authorities in the countries most concerned.

Based on the information available today, the short-term economic impact of the refugee inflows on the EU's GDP appears small and positive, although it is more pronounced for some Member States than others. The short-term effect is mainly driven by higher public spending. In the medium- to long-term, the degree of refugees' integration into the labor market will be a key factor in determining the macroeconomic effects that refugee inflows will have on Member States' economies. In cases of quick and competent integration, refugees can help improve the performance of the labor market, address demographic challenges, and improve fiscal sustainability.

The characteristics of refugees, as well as the structure, cyclical position, and the integration policies of host countries, will define the outcomes. The impact will differ across countries, but also within countries. It depends on the extent to which the skills of refugees substitute or complement those of the native workforce. Nevertheless, the earlier and the better the integration, the more likely migrants are to have a positive contribution to the growth and public finances in the medium-term. The current situation of refugee inflows to the EU suggests that there is a potential for moderate economic gain ahead. However, downside risk appears substantial if the required investment is not urgently undertaken to facilitate the management of flows and, for those who are granted international protection and their subsequent integration.

Countries that host refugees for protracted periods can experience long-term economic impacts. While the impacts of a refugee presence on neighboring countries are complex and context-specific, they are not necessarily negative. The economic impacts of refugee presence on neighboring countries have been both negative (e.g. uncompensated public expenditure and burden on the economic infrastructure) and positive (e.g. stimulated local economies by increasing the size of local markets and reducing commodity prices). The positive contributions that refugees can make to the economy of host countries should be viewed in terms of winners and losers among both refugees and host populations. Development assistance targeting areas affected by

displacement can play a strategic role in mitigating negative impacts and increasing the positive impacts of a protracted refugee presence on host countries.

The international aid architecture has also developed instruments to enable development actors to better address forced displacement as a development challenge. In October 2007, the leaders of the multilateral development banks (MDBs) stated deepening their collaboration in fragile situations. In October 2008, the UN and the World Bank agreed on a partnership framework for crisis and post-crisis situations that emphasizes the complementary roles of the two organizations in supporting early and sustainable recovery during and after crises. There are also internationally recognized instruments such as the Post-Conflict Needs Assessment that provides a methodology used by national and international actors as an entry point to conceptualize, negotiate, and finance a common strategy for recovery and development in fragile and post-conflict settings. However, if migration is to be encouraged, it is of utmost importance that mechanisms facilitating the dialogue across groups and, hence, the integration of migrants are in place to guarantee that diversity is transformed into higher and durable economic activity over the short-, medium-, and long-term.

Finally it can be said that some refugees succeed because they gained the asylum status from a developed country that will allow them to start a new life in a stable, urban environment due to cheap housing and the proximity to employment opportunities while facing significant challenges in doing so due to difficulties linked to the nature of their journey and their legal status (interrupted education, psychological traumas etc.). Others fail due to the multiple challenges to swift and successfully integrate into local labor markets. Obstacles typically include language barriers, difficulties in getting recognition for qualifications and skills acquired abroad in addition to the limited social and professional networks in the area through which they live in or find job positions. Newcomer refugees may also be unfamiliar with local businesses or workplace norms and face competition from native born applicants or discrimination from employers and local citizens. In addition, some refugees settle in reception centers and affordable social houses often located away from agglomerate centers of bustling economic activities which can further reduce their opportunities to access quality jobs and training.

This paper reviewed the growing but limited literature on the economic impact of refugees on low and middle-income host countries, revealing that there are both winners and losers. The costs and benefits in the short and medium-term depend on factors such as the characteristics of the refugees as well as the economic and political nature and context of the host countries. Policy responses also affect the economic impact of refugees. The paper highlighted some of the policy experiences showing that development assistance tends to be more efficient if it jointly targets

refugees and the host population. However, the economic implications of international displacement remain under-studied and few empirical studies address the economic contribution of refugees in developing countries. This is partly due to methodological and estimation challenges related to data collection. This paper identifies some of the main challenges when empirically assessing the contribution of refugees in host countries, and proposes a mixed-method approach that combines primary and secondary data to analyze both micro and macro effects. Such a study would enhance the understanding of the costs and contributions of refugees, and help guide policymakers in implementing sustainable, development-led responses to international forced displacement.

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