

# The economic effects of refugees are largely down to decisions made by the countries which take them



*Are refugees a benefit or a curse for the countries which take them? In new research which examines a number of refugee flows over the past 55 years, [Michael Clemens](#) finds that refugee inflows almost always have little or no detrimental effect on local unemployment levels, and in some cases they are actually linked to rising wages. In light of these findings, he argues that how refugees affect a country economically is largely a policy decision – those which decide to invest in refugees can benefit through higher tax revenues later on.*

More than 5 million Syrians have fled their home country since 2011. The majority remain in neighboring countries of Turkey, Lebanon, and Jordan. Some others have sought resettlement in third countries, including the US, and many more have set out seeking refuge and opportunity in Europe.

Syrian refugees are just one element of the [more than 1.5 million](#) refugees and migrants that have recently arrived in Europe seeking safety and opportunity. Many arriving to Europe and elsewhere [receive jobs](#), and most also [receive benefits](#). With their arrival has come [widespread concern](#) these refugees and migrants will become an economic drain on the countries that welcome them.

But these economic effects are not obvious. A newcomer who takes a job washing dishes in a restaurant prevents limited numbers of native workers who want that job from taking it. But that person also complements the natives who wait on tables, manage the restaurant, or own the restaurant. And a newcomer who takes benefits today can generate tax revenue tomorrow.

I know such ambiguity is a big yawn for a world where tweets pass for analysis. But the economic effects of these desperate migrants will be complex. No one can understand the economic consequences of large migrations without careful economic research on the ripple effects—subtle, invisible, delayed. When politicians brush this aside they are being duplicitous, or at least disingenuous.

When economists have studied past influxes of refugees and migrants they have found the labor market effects, while varied, are very limited. More than anything else, the economic effect of migrants and refugees is a decision.

## Refugees' tend to have positive effects on local wages

In [a new paper with Jennifer Hunt](#) we look at large flows of people from Algeria to France in 1962; from Cuba to Miami in 1980; from the former Soviet Union to Israel in the 1990s; and from the Balkans to the rest of Europe in the 1990s. Each of these episodes brought a sudden flood of new workers on a scale comparable to recent flows to Europe, offering a chance to compare what happened in jobs and occupations where the migrants clustered.

In two instances—the sudden movement of over a million people from Algeria to France, and the movement of Balkan refugees across Europe—there was evidence, albeit minimal, of a short-term increase in native worker unemployment.

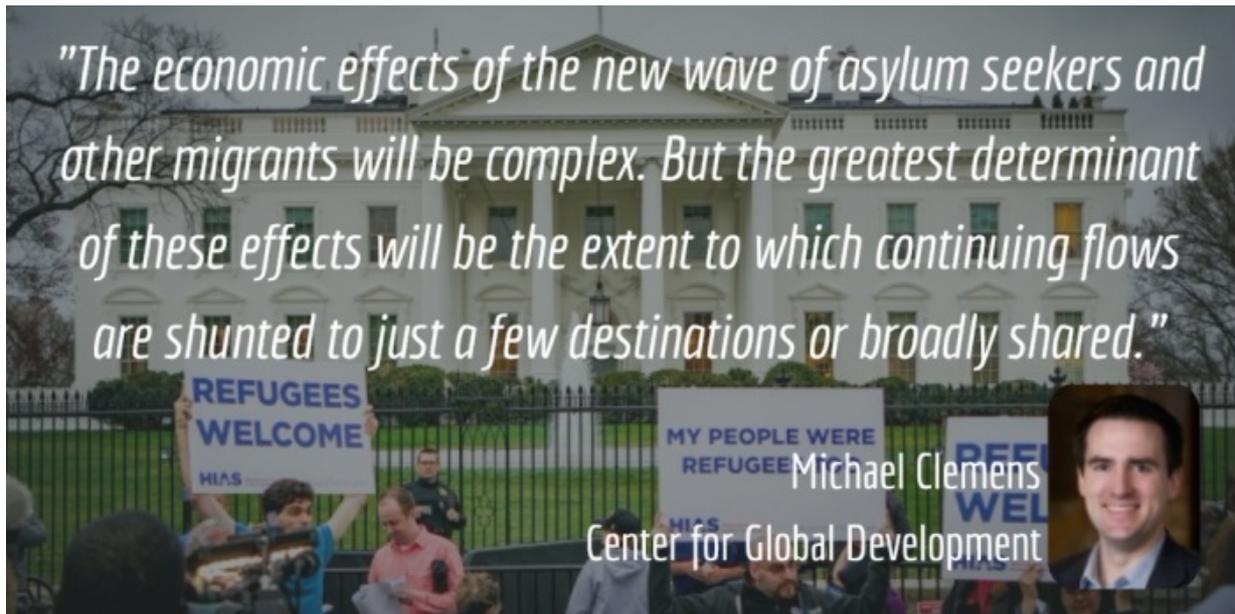
But, the other flows had either no effect or a positive effect on the local labor market. The flood of 125,000 Cubans into Miami had no effect at all on unemployment, and was followed by a small *rise* in average low-skill wages—that cannot be reliably distinguished from statistical noise. And the flood of Soviet refugees into Israel, enough to raise the country's population 12 percent in just four years, saw a substantial *rise* in the wages of the occupations they crowded into.

While this research focuses on wealthier destination countries, the evidence in developing countries—which [receive the bulk of refugees](#)—seems similar. In Turkey there appears to be a [small negative effect on native employment](#) caused by the influx of Syrians, but [not in Jordan](#).

These studies are limited because they measure what happens to native workers who stay in the places and occupations where migrants cluster. They do not fully account for adaptation by natives who change or move to a new place, job, or skill level.

[A recent study](#) looked at the effect of waves of refugees including Iraqis and Afghans into Denmark. They found refugees did initially displace small numbers of native workers, but most often displaced them upward into jobs requiring more complex tasks and native language skills, where they were more productive. The most affected natives typically ended up earning 3 percent more than they had before.

Yet such economic benefits are not automatic. In the context of large migrant flows, labor market policy is a form of refugee policy. The economic effect of the inflow is largely a policy decision.



*"2017.03.01 #JewsForRefugees Rally, Washington, DC USA 01318" by Ted Eytan is licensed under CC BY SA 2.0*

## Refugees can be a fiscal plus in the longer term

Nowhere is this clearer than in the fiscal effects of refugees. Almost all refugees receive substantial public assistance when they arrive and years afterward. Countries vary in how much of this assistance refugees are asked to pay back later. But by far the most important determinant of the net fiscal effect is [how quickly refugees integrate into the labor market](#) and start generating tax revenue. In the United States, the average refugee becomes a net contributor to public coffers [eight years after arrival](#). The assistance they received when they arrived was, in purely monetary terms, an investment with positive return. Countries that actively deter asylum applicants from working are making the decision to increase their net fiscal burden.

Almost a million people arrived in Germany in 2015 because other countries did not accept substantial shares of them. The labor market effects on Germany [appear to be minimal so far](#). But those effects would be negligible on all countries concerned if the burden had been broadly shared.

The clearest historical experience in this regard is the enormous flow of [Hungarian refugees into Austria in 1956](#). They produced a spike of three percent in the population of Austria—a country still recovering from war itself, and much poorer than it is today. Had Austria been left alone to assist them, there is little doubt that those 200,000 Hungarians, trapped [in Traiskirchen](#) and other camps, would have become a large economic and fiscal burden.

What happened instead was that a coalition of 37 countries, on many continents, shared the responsibility. Not only Austria's neighbors, but also countries from New Zealand to Paraguay pitched in. They moved so quickly that they had resettled over half of the refugees *within ten weeks*. This cooperation turned the Hungarians from an unmanageable flow into an eminently manageable one. They were nothing but an economic boon to the countries they went to; one of them came to the United States as a youth with no college degree, and ended up *co-founding the tech giant Intel*. Here again, their economic effect was *decided*. Governments able to assist them could have turned those refugees into a burden, but they coordinated to eliminate the burden.

The economic effects of the new wave of asylum seekers and other migrants will be complex. But the greatest determinant of these effects will be the extent to which continuing flows are shunted to just a few destinations or broadly shared. This depends less on migrants' decisions than on the policy decisions of the recipient countries and their allies.

*This is an adapted version of an op-ed originally published by [Refugees Deeply](#).*

*Please read our comments policy before commenting.*

*Note: This article gives the views of the author, and not the position of USAPP – American Politics and Policy, nor of the London School of Economics.*

Shortened URL for this post: <http://bit.ly/2znoUzT>

---

## About the author



**Michael Clemens** – *Center for Global Development*

Michael Clemens is an economist at the Center for Global Development at IZA Institute for the Study of Labor and author of "The Walls of Nations" forthcoming from Columbia University Press. He's on Twitter at [@m\\_clem](#).