Refugees are not a burden but an opportunity

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When nearly a million Vietnamese “boat people” fled their country in the late 1970s and early 1980s and sought refuge elsewhere, they were typically seen as a burden and often turned away. Eventually, many were allowed to settle in the US. Most arrived speaking little or no English and with few assets or relevant job skills. Yet Vietnamese refugees are now more likely to be employed and have higher incomes than people born in the US.

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The world is facing its biggest refugee crisis since the Second World War. More than 22 million people have been forcibly displaced from their country by war and persecution. Advanced OECD economies are often loath to admit them, partly for cultural reasons but also for economic ones. Yet welcoming refugees is not only a humanitarian and legal obligation, it is an investment that can yield substantial economic dividends. That is the key message of a new study I have written for the Open Political Economy Network (OPEN), a new international think-tank, and Tent, a new foundation that aims to help forcibly displaced people.

Refugees can contribute economically to the societies that welcome them in many ways: as workers, innovators, entrepreneurs, taxpayers, consumers and investors. Their efforts can help create jobs, raise the productivity and wages of local workers, lift capital returns, stimulate international trade and investment, and boost innovation, enterprise and growth.

**Refugee dividends**

Welcoming refugees generally implies an initial investment, typically of public funds. In economies where demand is depressed, this increased investment acts like a small fiscal stimulus, yielding an immediate demand dividend.

Once refugees start working, this investment may yield seven further dividends:

Some refugees do dirty, difficult, dangerous and dull (4D) jobs that locals spurn, such as cleaning offices and caring for the elderly. This 4D dividend enables locals to do higher-skilled and better-paid jobs that they prefer.

Higher-skilled refugees (and refugees’ highly skilled children) can provide a deftness dividend. Their different and complementary skills can fill gaps in the labour market and enhance locals’ productivity. A third of recent refugees in Sweden are graduates; more than two-thirds of those have skills which match graduate job vacancies.

Enterprising refugees start businesses that create wealth, employ locals, make the economy more dynamic and adaptable, and boost international trade and investment. This dynamism dividend can be huge. Sergey Brin, who arrived in the US as a child refugee from the Soviet Union, co-founded Google, now America’s second most valuable company. Li Ka-shing, who was among the mainland Chinese who sought refuge in then British-run Hong Kong after the Communist Revolution in 1949, is now Asia’s richest man.

Thanks to their diverse perspectives and experiences, refugees and their children can help spark new ideas and technologies. People who have been uprooted from one culture and exposed to another tend to be more creative, while studies show...
that diverse groups outperform like-minded experts at problem solving. This **diversity dividend** is substantial too: more than three out of four patents generated at the top 10 patent-producing US universities in 2011 had at least one foreign-born inventor.

Ageing societies with a shrinking native working-age population, such as Germany’s, benefit from the arrival of younger refugees, who provide a **demographic dividend.** As well as complementing the skills of older, more experienced workers, refugees can help pay for the growing numbers of pensioners. They can also support population numbers, and thus investment and growth.

Refugees can also provide a **debt dividend.** OECD studies show that migrants in general tend to be net contributors to public finances; in Australia refugees become so after 12 years. Better still, the taxes that refugees pay can help service and repay the huge public debts incurred in many countries to provide benefits for the existing populations.

Finally, refugees provide a **development dividend**—to themselves, their children and their country of origin. Remittances to Liberia, a big refugee-sending country, are 18.5% of GDP.

Refugees’ ability to contribute to the economy depends partly on their characteristics, but also on policies and institutions in the welcoming country. At one extreme, the US model provides refugees with a burst of initial help, after which they are expected to fend for themselves. At the other extreme, the Swedish model has traditionally involved treating refugees like charity cases. While Sweden now focuses much more on getting refugees into work, barriers to employment remain high.

By contrast, refugees in the US are more likely to be employed than locals, and their earnings tend to rise rapidly over time. While the US has scope to improve, it provides a benchmark for EU countries in many respects. Arguably an ideal refugee welcome programme would combine the active assistance of the Swedish model with the job and enterprise opportunities of the American one. Other EU countries have a lot to learn. Many provide the worst of both worlds: little help for refugees and high barriers to employment and enterprise. These breed hardship and failure, and misplaced resentment towards refugees. Greater investment in refugees together with reforms to open up opportunities for progress are both economically and politically desirable.
Mutual enrichment. The postcard reads: “Greetings from Paris where I’ve been working for the past seven years.”

Support and opportunity

The first priority should be to get refugees into work quickly. They need the right to work, appropriate skills and job opportunities. Making it easier for people to claim asylum from outside the EU and be resettled once their claim has been accepted would give them the right to work as soon as they arrive. All governments should endeavour to process asylum claims quicker and give asylum seekers the right to work while their claims are being assessed, as in Sweden (but not the US).

Employability is also crucial. On arrival—or even beforehand—refugees’ education level and skills should be assessed to identify and provide for their training needs and better match them to employment opportunities. Literacy training should be provided to those that need it. Language training should be tailored to refugees’ workplace needs. Job training and skills development can enable refugees to find higher-skilled and better-paid work longer term. The recognition and conversion of foreign qualifications should be streamlined. It costs £25,000 to train a refugee doctor to practise in the UK, a tenth of the cost of a new British one.

Skills aren’t much use without job opportunities. Refugees should be resettled in areas where there are jobs, not in areas where cheap housing is available (and jobs aren’t). Governments should vigorously enforce anti-discrimination laws. Making it easier for refugees to find work is yet another reason why countries with rigid, insider-outsider labour markets should open them up to outsiders. Enabling refugees to start businesses is a further reason why governments should cut through red tape that stifles enterprise.
While government assistance for refugees ought to be generous, prompt and wide-ranging initially, open-ended welfare provision can have a negative impact. Looking to the future, ensuring refugee children don’t get left behind at school is vital.

Businesses—above all, by employing refugees—and non-profits also have a vital role. For example, through the Tent Alliance, business leaders can commit to make a difference to the lives of refugees and their host communities.

Policymakers and practitioners should stop talking about refugees as a “burden” to be shared, but rather as an opportunity to be welcomed. With a suitable upfront investment and wise policies, welcoming refugees can yield substantial economic dividends.

Visit [www.opennetwork.net](http://www.opennetwork.net) and [www.tent.org](http://www.tent.org)

**References**

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