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## The Effects of Syrian Refugees on the Labor Markets of Host Middle Eastern and European Countries

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in collaboration with :



### 1. Summary

Since 2011, over 5.3 million refugees made their way from Syria to hosting Middle Eastern and European countries. Middle Eastern countries that absorbed the majority of refugees are Turkey, Lebanon and Jordan. In Europe, Germany and Sweden absorbed the largest number of Syrian refugees. This large number of refugees brought the question of their impact on wage growth and unemployment rates to the center of political discourse. This Brief examines this impact. **It has been found that except for Jordan, the refugees had no impact on the growth in wages and in none of the examined countries the refugees had any impact on unemployment rates.** Therefore, it is recommended, among other things, to remove refugee-specific barriers, especially in sectors that experience shortage of workers. It is also recommended to provide training for refugees to match their skills and to use this 'feared competition' to upgrade the skills of the national employees. It will also be important to raise public awareness on the contributions of these refugees to the national markets.

### 2. The Issue

As of October 2017, the different United Nations agencies registered over 5.3 million Syrian refugees, 47.5% of them were children up to the age of 17. 23.8% of the refugees were male at the working age (18-59), and 25.5% were female at the working age. Currently, above half of the refugees are registered in Middle Eastern countries. 3.2 million Syrian refugees are registered in Turkey, 1 million in Lebanon, 650,000 in Jordan, 250,000 in Iraq and 124,000 in Egypt. 64% of the Syrian refugees in Europe are hosted in Germany and Sweden. Other EU prominent countries that took in refugees are Austria, Hungary, Netherlands, Denmark and Bulgaria. Relative to the domestic population, the total number of Syrian refugees received between 2012 and 2015 domestic is the highest in Lebanon and Jordan; far ahead of any other country. In comparison, European countries are almost not affected.

The framework of integrating refugees among hosting Middle Eastern countries was uneven. While Turkey had agreed at first to absorb the Syrian refugees in camps, until recently, it was very difficult for those refugees to receive a regular working permit in the country. Contrarily, in Lebanon the process of absorbing refugees was significantly easier. The Lebanese policy did not force

Syrian refugees to live in camps, and they were allowed to settle in permanent residence quickly. The main reason for this policy is that the Lebanese labor market was depended in the past on the employment of Syrian workers at low wages. Also in the majority of European countries Syrian refugees received working permits. It might be possible that the policy gap as well as different economic opportunities and social conditions between European countries and Middle Eastern countries led to the emigration of many high skilled refugees with higher education level to Europe.

As the Syrian civil war continues, the last couple of years marked a change in conception for many hosting countries. There is now a growing understanding that there's a need to give more attention to refugees' education, employment, health insurance in addition to a long term shelter. The implementation of such policy stirs a significant political opposition due to the position of the general public in many hosting countries. One of the biggest concerns hosting countries face is that migration waves would lead to a decrease in salaries and an increase in unemployment among local populations. In addition, identity politics plays a significant role as could be seen in recent election campaigns in different European countries. In Europe, the main public discussion concerns the long term implications of the 'Open Door' policy that German Chancellor, Angela Merkel, is implementing.

The information that has been provided thus far about the implications of Syrian refugee arrival is rather insufficient, and there is little consensus on how they affect local labor markets.

### 3. The Approach

This Policy Brief is based on research that seeks to contribute to the assessment of refugees within labor markets and differing countries' economies. Past studies about the impact of refugees on absorbing labor markets suggest that refugees have no significant impact while others argue that refugee influx causes a negative supply shock and is very likely to affect the lowest classes within a host country.

The study used the Borjas and Monras (2016) approach that was used to study the impact of the inflow of Cubans into Miami in 1980, the inflow of French repatriates and some Algerian nationals into France at the end of the Algerian Independence War in 1962, the inflow of Jewish immigrants into Israel after the collapse of the Soviet Union in the early 1990s and the exodus of refugees from former Yugoslavia during the long series of Balkan wars between 1991 and 2001.

The analysis is conducted for real wages growth and unemployment rate changes as dependent variables. The independent variables are the change in output, the change in labor force and the post shock labor supply including refugees .

The data used for these variables are available from ILO but only for the period 1999-2015 in the case of the five main receivers in the region which we consider in our analysis: Lebanon: Egypt, Iraq, Jordan, Lebanon and Turkey. However, we do not have data on wages for Iraq and Lebanon. Among European countries, we select those which are the most exposed to the flows of Syrian refugees: Austria, Belgium, France, Denmark, Germany, Greece, Italy, Netherlands, Norway, Spain, Sweden, Switzerland and United Kingdom. The ILO data for these countries are available for a longer period but we limit our analysis to 1999-2015.

### 4. The Results

With accordance to Borjas and Monras main results, we uncovered that the Syrian refugees' wave decreases the growth rate of real wages in Jordan. However, the same effect did not emerge in other countries

under consideration. This seems to make sense since the number of Syrian refugees is very large as compared to Jordan's population (6%). We found no effect on unemployment rate.

One can reasonably expect a similar effect on wages in Lebanon where Syrian refugees are even more numerous than in Jordan in comparison to the domestic population (16%). However, we don't have data on wages for Lebanon and our assertion can only be speculative. Finally, Syrian refugees are not numerous enough in the other countries (even Turkey) to affect domestic wages (4% in Turkey and less than 1% in European countries).

Meaning, the results further strengthen past results that confirm that immigration and refugee flows have no impact on the labor market in the short and middle term in terms of unemployment rates. Only a slight impact on growth in wages can be seen when the flows is very high relative size to the population (more than 6%). Recommendations should therefore also address the gap between the empirical evidence and the public vision that absorbing refugees would lead to more unemployment and lower salaries.

## 5. Conclusions and recommendations

The country review and the empirical results lead us to four main policy recommendations:

1. **Removing refugee-specific barriers** - as for the majority of countries no connection between the Syrian refugees' inflow and unemployment or wages has been found, first, we recommend strengthening the existing trend of removing refugee-specific barriers in the labor market. Mainly, on the formal aspect this includes providing working permits to refugees. As most Syrian refugees are already involved in economic activities in their hosting country, providing working permits would only reduce the black market economy of refugees and therefore would contribute to economic growth and labor market transparency in hosting countries, especially in the Middle East.

2. **Address shortage of workers** – in many countries there are sectors in the economy in which there are shortage of workers. One of the most prominent examples is agriculture; however a further investigation is needed based on each country's needs. Refugees should be encouraged to work in such sectors. Turkey and Lebanon provides good examples for hosting countries in which there are regions that the refugee flow encountered acceptance from the local population, as in those regions there has been a demand for low paid workers.

3. **Training Programs for refugees** – many believe that educated and skillful Syrian refugees managed to commute from hosting Middle Eastern countries to Europe. However there is still a big gap between the level of skills between the local population both in Europe and in the Middle East countries and the refugees. In order to narrow the skill gap between those populations and enhance the employment opportunities of the refugees it is recommended to conduct training programs for the refugees. The training program should focus on economic activities that are experiencing shortage of workers.

4. **Training and raise awareness of the domestic population** – One of the main concerns is that low socio-economic populations in hosting countries would face competition with the refugees, which they fear could have a negative impact on their employment. Even though studies such as this, found that there is no correlation between wages and unemployment and the presence of refugees, the political discourse focuses on this issue. It is important to raise awareness among population of the non-existence of such effect. In fact, on a positive note, this 'feared' competition could be a good opportunity for domestic employees to upgrade their skills through receiving training. This will improve their productivity and output and assist them in improving their economic conditions. Therefore, policies such as this could both moderate the discourse regarding the integration of refugees in the labor market and also improve the local population conditions.

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- *to improve the understanding of priority stakes in the economic and social spheres, and their repercussions on Mediterranean partners in the framework of implementation of EU Association Agreements and Action Plans,*
- *to consolidate the partners of the network of research institutes capable of North-South and South-South interactions, while it sets into motion a transfer of know-how and knowledge between members.*

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