



What Works for Improving Refugee Outcomes in High-Income Countries? Policy Insights for the UK

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Foreword

The UK's commitment to providing safe refuge to people fleeing violence and persecution relies on a cross-party consensus and the compassion and goodwill of the public. In order to maintain this commitment, we must look at the best evidence available on how refugees can be supported effectively and given the greatest opportunity to succeed in the long-term. This is particularly important in the current context as the UK considers its place in the world after Brexit, and as we seek to recover from the terrible impacts of the COVID pandemic. In such a time as this, there is a need for appropriate and robust controls, and an understandable public desire for new arrivals in the UK to become tax-paying, economically active members of society as soon as possible. Any policy measures that support refugees to do so must therefore be welcomed and considered carefully.

This report outlines a number of sensible policies with proven success in other high-income countries. The impact of early, strategic intervention is particularly noticeable when it comes to employment prospects. Reducing waiting times for asylum decisions, dispersing refugees strategically in different parts of the country, and tailored job assistance all make a demonstrable difference to employment outcomes.

At a time when public spending is likely to come under increased scrutiny, it is more important than ever to demonstrate that the Government is spending money efficiently and ensure that refugees are able to support themselves rather than immediately relying on the welfare system. We need to harness the skills and talents of everyone in our country to enable successful integration and to prevent wasting taxpayers' money.

Whilst some refugees eventually will be able to return to their country of origin, the reality is that many will settle here permanently. Therefore, it is important to take note of the longer-term findings of this report, which demonstrate the benefit of language training on economic outcomes, and that although lower welfare payments might incentivise labour participation in the short-term, it also leads to negative consequences on long-term integration and community cohesion.

Making the pragmatic case for refugee integration allows us to focus on the benefits for refugees seeking a new start in the UK and on the existing population. There is a danger that refugees can become a burden on local communities, not because they are burdensome but because we have not set them up for success. The Vulnerable Persons Resettlement Scheme and Community Sponsorship – introduced under a Conservative government –

shows that the government, local authorities and civil society can achieve results by working in partnership. With strategic intervention and creative thinking at the national and local level, refugees can and will enrich our communities.

Above all else, our approach to refugee integration must provide help to those seeking to rebuild their lives in the UK and command public confidence. The evidence-based findings in this timely report represent a sound starting point to meet both of these objectives.

David Simmonds CBE MP

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Executive Summary

The successful integration of refugees in high-income countries is a priority of many governments. However, in order to assist that process, it is necessary to have information on what investments and policies have been shown to work. This report provides a series of insights drawn from the evidence on the impact of early interventions and related policy changes on the outcomes of refugees in high-income countries. We focus on interventions that have been shown to have positive as well as negative impacts on the outcomes of refugees. The discussion covers four types of policies: the asylum process (e.g. waiting times for a status decision, residential allocation policies), job search assistance, language training and changes in social assistance.

The key policy insights from the report are as follows:

- Reducing waiting times for a decision can have a major positive impact on the long-term employment outcomes of refugees.
 - For example, evidence from Switzerland suggests that an additional year of waiting time reduces the subsequent employment rate of refugees by 4 to 5 percentage points.
- Strategic dispersal and placement of refugees to local areas can lead to better employment outcomes.
 - For example, modelling for the United States suggests strategic placement of refugees could increase employment outcomes by up to 38%.
- Bespoke job search assistance can improve the labour market outcomes of refugees.
 - For example, evidence from Sweden suggests that intensive job market coaching can increase the employment rate of refugees by 6 percentage points.
- Language training improves the economic outcomes of refugees.
 - For example, evidence from France suggests that an additional 100 hours of language training increases the likelihood participating in the labour force between 15 and 27 percentage points.
- Lowering welfare payments can incentivise labour force participation of refugees in the short-term, but can also have major negative consequences in the longer term.
 - For example, evidence from Denmark suggests that a welfare reform led to a substantial increase in crime participation among refugees, mainly property crime and shoplifting.

The purpose of the report is to provide insights on policies that could inform policymaking in the UK. However, a key finding of the process is the lack of research with formal impact evaluations of this type in the UK. Therefore, we recommend for the UK Government to:

- Conduct and publish formal evaluations of all programmes and key policies related to refugees. The lack of formal evaluations means that it is not possible to identify successful and cost-effective programmes to improve the outcomes of refugees in the UK.

In addition, we encourage the government to increase data collection efforts related to refugees. This should include:

- The collection of new longitudinal survey data on this group. It has been over one decade since the last large longitudinal data collection effort on refugees took place.
- The addition of questions on different datasets and surveys (e.g. Census) that allows identifying refugees (either those with current status or those who had it in the past).
- The use of administrative data to identify refugees and explore their long-term economic trajectories. This could include tax and benefits records and related information.

Introduction

There is a growing body of evidence showing that refugees face significant challenges in terms of integration in the host country and that they are at a substantial disadvantage compared to other migrants when looking at their different socioeconomic outcomes (Bevelander, 2011; Ruiz and Vargas-Silva, 2018; Fasani et al., 2019; Brell et al., 2020). While much of the discussion around this evidence has focused on understanding the reasons for these outcomes, not enough discussion has centred on analysing and discussing what works in terms of improving the outcomes of refugees, particularly the potential of early interventions and related policy changes in this context. This is important for the formulation of informed policies in this area. Refugees are often less likely to return home compared to other migrant groups (Borjas 1987; Cortes 2004) and, therefore, there is a potentially higher long-term payoff of early investments in this group. This report provides a discussion of the evidence on early interventions and related policy changes that affect the outcomes of refugees.

Before proceeding, it is important to explain the need for a discussion focused solely on refugees, as there are already reports that explore the impacts of interventions for migrants in high-income countries (e.g. Frattini, 2017). We argue that insights based on the overall migrant population do not necessarily apply to the case of refugees for several reasons. First, refugees when compared to other migrant groups are a population with different demographic and socio-economic characteristics, which might lead to different challenges for success in the labour market (Ruiz and Vargas-Silva, 2017; 2018). Second, many refugees have experienced traumatic events (e.g. food shortages, insecurity, persecution, violence) that are likely to affect their mental health (Fazel et al. 2005, Fazel et al. 2011; Tyrer and Fazel 2014) and, consequently, their ability to fully engage in the labour market (Giuntella et al., 2018). Third, many refugees face some type of legal restriction to fully access the labour market at a given point during their time in the new country of residence (Allsopp et al. 2014; Bloch 2004; 2007; Ruiz and Vargas-Silva 2017; 2018). These periods of forced labour market inactivity could have negative long-term consequences, both economically and for their wellbeing. Finally, the initial location of refugees is often determined by policies related to the availability of housing, without considering most other factors. This results in refugees often being located in disadvantaged neighbourhoods (Phillimore and Goodson 2006; Stewart 2012) where there is little access to support (Zetter et al. 2005). These differences between refugees and other migrants are important because early interventions that work for migrants in general might have to be

tailored to the situation and characteristics of refugees (or a particular subgroup of refugees).

We focus on the case of high-income countries, in order to discuss strategies and policies that are more relevant for the UK. For the purpose of this study, we rely on the World Bank definition of a high-income country. The majority of refugees are hosted in neighbouring low- and middle-income countries and there would be substantial value in related studies, which evaluate the evidence in that context (e.g. Schuettler and Caron, 2020). However, while some policies that work in low- and middle-income countries could also work in high-income countries, there are major differences in labour markets, access to services and the capacity for government support. One example is the differences in economic activity and sectors. In low- and middle-income countries, refugees can often easily access work in the informal economy, hence restrictions on the legal right to work have different implications (Loayza et al., 2018).

Scope

Our analysis covers evaluations of interventions and related policy changes that affect refugees while they are asylum seekers (i.e. while their asylum claim is under consideration) and shortly after obtaining legal protection (i.e. refugee status). We also include studies related to resettled refugees as these refugees often receive different types of initial support and it has been suggested that this leads to different long-term outcomes when compared to the case of other refugees (APPG on Refugees 2017). In some of the reviewed studies refugees are the main group of interest, while in others they are an important sub-set of the sample studied. In all cases, the focus is on the evaluation of interventions and policy decisions that take place during the initial five years in the country of residence, although the outcomes of interest are often measured sometime after this period. That is, the outcomes could be measured in the medium to longer-term, including after the individuals have received permanent residency or have become naturalised citizens.

We explore three types of studies. First, we study the impacts of refugee policy. That is, the impacts of policies related to the arrival and initial conditions of refugees when first arriving into the country, including “waiting times”, the dispersal accommodation and the assignment of hosting local areas. Second, we explore studies, which focus on the role of interventions directed at improving the labour market outcomes of refugees. For example, this includes job training, job search assistance and

language courses. Some of these interventions may be related to the general migrant population but refugees should be a sub-group of interest. Third, we explore studies evaluating policy changes that while not necessarily directly aimed at refugees, had important implications for their outcomes. This includes, for instance, changes to available welfare benefits.

It is important to highlight that we focus on interventions and policies that have been evaluated by what we consider are appropriate methods for the purpose. There are many interventions and policies that could have affected the outcomes of refugees, but for which there is no formal evaluation of impact or for which the evaluation is not sufficiently rigorous. These remain out of the scope of the current report. In this report, we provide a list of key insights for the UK and the complete systematic review will be published at a later day.

Methods

The steps taken in order to identify and categorise the evidence are described below. There are four steps in the process, including:

- (1) revision and categorisation of the universe of relevant studies, using the main academic and policy databases, as well as relevant Google searches;
- (2) selection of a sample of papers based on the rigour of the methodology used for evaluating impacts;
- (3) highlight of key policy insights (this document).
- (4) systematic review of the evidence (forthcoming).

1. Inclusion/exclusion criteria

The following selection criteria guided the search of the literature:

- **Dates:** publication during 2000-2020.
- **Population:** papers whose primary group of interest are refugees and asylum seekers. This includes papers focused only on the selected group or others that also look at other migrants but for which asylum seekers and refugees are a relevant subgroup. While there is substantial literature related to refugee children, this review focuses on interventions/policy changes directed at adults. If interventions directed at adults have been shown to have effects on children, we make a note of that effect.
- **Geographic coverage:** the review is limited to policies/interventions in high-income countries.

- **Study design:** methods that clearly frame and define causal impacts using quantitative analysis.
- **Interventions/Policy changes:** those impacting refugees at early stages of arrival.
- **Outlets:** peer-reviewed scientific journals, working papers, scientific reports and technical reviews.

2. Categorisation

Based on the literature identified by following the search methods and criteria described in the previous section, the studies were divided into four main categories:

1. Asylum process: waiting times for a status decision, dispersal and placement policies.
2. Employment: job search programmes.
3. Language training.
4. Changes in social assistance.

Key insights

In the discussion below, we present a policy insight for each area followed by one or two examples of studies that support the finding.

1. Asylum process

Reducing waiting times for a decision can have a major impact on the long-term employment outcomes of refugees

The length of the period from the submission of an asylum application to a positive decision of protection, typically referred to as the “waiting time” in the asylum context, can have major effects on the mental health of refugees, their motivation to join the labour market and it also can lead to “scarring effects” or deterioration of their skills (Hainmueller et al., 2016). However, waiting times also correlate strongly to country of origin and the complexity of the asylum claim. In order to provide evidence on the effect of longer waiting times, it is necessary to have comparable refugees that experienced different waiting times for a decision due to an exogenous reason. These types of cases are uncommon, but several researchers have taken advantage of different policy dynamics to approximate this situation.

For instance, Hainmueller et al. (2016) use data from Switzerland to explore the effect of waiting times on the probability that refugees are employed

one year after they receive refugee status. The waiting period was measured as the number of days from the submission of an application to a decision granting protection. They take advantage of the fact that caseworkers in Switzerland processed applicants from the same country of origin in batches once a certain number of similar cases have accumulated. As a result, otherwise similar applicants who applied on days right before or right after a batch has been processed faced different lengths of waiting time for a decision (i.e. “good”/“bad” luck). Their results, which are based on analysis of 1994 to 2004 registry panel data for 17,360 asylum applicants, suggest that an additional year of waiting time reduces the subsequent employment rate by 4 to 5 percentage points as measured one year after they received refugee status. This is a major decrease given the typically low employment rates of refugees and represents a 16 to 23% drop compared to the average rate. The authors also provide indicative evidence that the effect is likely driven by the psychological consequences of waiting, rather than skill atrophy related to labour market inactivity. Finally, they provide a cost-benefit analysis by comparing the public expenditures and tax revenues that accumulate if refugees are in work versus out of work in a given year. The analysis suggests that marginally reducing waiting times (e.g. just over two months) would lead to a net benefit of about 5.6 million Swiss Francs (around GBP 4.7 million) in a single year.

Evidence on the negative effect of waiting times for refugee employment rates in other countries can be found in Bakker et al. (2014), De Vroome and van Tubergen (2010), and Hvidtfeldt et al. (2019). Other studies have found the length of the asylum procedure to be associated with other issues such as an increased likelihood of mental health problems (Hvidtfeldt et al., 2017; Laban et al., 2004).

There is also a large literature focusing on the negative consequences of employment restrictions during the waiting period on the long-term outcomes of refugees and the output lost due to these restrictions (Fasani et al., 2020; Marbach et al., 2018; Slotwinski and Uhlig, 2019). However, these results largely also reflect the impact of waiting times. In other words, waiting longer means greater exposure to employment restrictions. Hence, reducing waiting times can have a substantial impact on the outcomes of refugees, by also minimising the potential detrimental effects of related policies.

Strategic dispersal and placement of refugees to local areas can lead to better employment outcomes

One of the major policy elements related to the arrival of asylum seekers and refugees to high-income countries are policies related to allocation to different areas. This allocation is important as it determines the size of the local ethnic network and initial exposure to different cultural and economic aspects of the new country. In the case of asylum seekers, the location of dispersal accommodation is often a temporary step while waiting for a decision on the application. In the case of resettlement, the initial location is seen as more permanent.

In order to test the impact of location characteristics on the outcomes of refugees, it is necessary to have refugees that were placed in different locations for reasons that are unrelated to key considerations, such as local labour market conditions. This is possible in many countries where refugees are distributed across the country in a quasi-random manner (e.g. in order to balance the share of refugees across locations, or based on other factors such as immediate housing availability).

The main body of evidence regarding location specific factors relates to the implications of proximity to co-ethnic enclaves. The evidence is mixed in that regard. On the positive side, ethnic enclaves work as networks that provide information about the labour market and can lead to faster transition into employment and better labour market outcomes (Edin et al., 2003; Damn, 2009; Dagnelie et al., 2019; Martén et al., 2019) or, given the characteristics of the enclave, can help improve the educational outcomes (Åslun et al., 2011). On the negative side, living in an ethnic enclave can hamper the economic outcomes of recent arrivals by decreasing the rate of acquisition of host country-specific human capital, such as language skills and can increase the dependence on welfare use (Åslund and Fredrikson, 2009; Beaman, 2012).

A promising new line of research is putting emphasis on the potential gains from strategic matching between refugee and location characteristics. This research typically uses a combination of tools from machine learning and matching theory to find the best matches between refugees and local communities. For instance, Trapp et al. (2020) developed software designed for resettlement agencies to obtain data-driven optimized matches between refugees and local areas. This software was developed in close collaboration with a United States resettlement agency, the Hebrew Immigrant Aid Society (HIAS). In HIAS, as in many settlement organisations

across the world, the settlement allocation process is done manually, which is an inefficient process and can also limit the potential for matching refugees and location characteristics. The researchers estimate that using this software there would have led to an increase in the employment of refugees resettled by HIAS in 2017 of up to 38%. While the software and analysis of Trapp et al. (2020) is based on the idea of refugee resettlement, similar applications are possible for dispersal policies and other situations in which it is necessary to allocate asylum seekers or refugees to different areas.

There is a growing body of evidence on the potential benefits of strategic matching between refugees and local areas, including Bansak et al. (2018) and Jones and Teytelboym (2016, 2017, 2018).

2. Employment

Bespoke job search assistance can improve the labour market outcomes of refugees

Refugees face many barriers when entering the labour market. Among those barriers, lack of contextual information, validation of qualifications, access to social networks and other job matching systems with employers and even the lack of knowledge of refugee employment regulations on the part of the employers can play a key role. For instance, in the UK unemployed refugees are more likely to rely on public agencies (e.g. job centres) to look for jobs. In total, 37% of unemployed refugees used public agencies as their main job search method, which is about twice the rate of UK-born unemployed job seekers (Kone et al., 2019) and there is circumstantial evidence showing that these agencies tend to be less effective for refugees compared to other groups. For instance, refugees who found employment are 12 percentage points less likely to have found jobs via their main search method in comparison to the UK-born (Kone et al., 2019).

Bespoke job search assistance could go a long way to improve the labour market outcomes of refugees. In order to explore this possibility it is necessary to have various groups of refugees receiving different levels of job search assistance in a way that can allow for the evaluation of the most efficient strategies and methods. Battisti et al. (2019), for example, collaborated with an NGO in Germany to evaluate the impacts of greater support in job search assistance and employer matching on the labour market outcomes of recently arrived refugees.

All refugees in the Battisti et al. (2019) study received help to put together their CVs in German and were given basic job search information. However, they randomly selected a group of refugees to participate in direct job-matching services. The CV profiles of these refugees were added to a database that the NGO used for matching with potential employers. Once the NGO identified a potential match for a job-seeking refugee, the NGO directly forwarded the CV to the employer (as opposed to the refugee taking this initiative individually). Their evaluation suggests that this extra step of sending the CVs directly had a significant impact on the outcomes of refugees with lower levels of education. After twelve months, refugees with lower levels of education who benefited from the extra service were 16 percentage points more likely to be employed than their counterparts who did not benefit from this service. The authors also show that a programme of this nature could be cost efficient by comparing the higher taxes paid and lower welfare payment received by refugees with the extra cost of staff time necessary to implement the programme. They suggest that under conservative assumptions about the benefits, the programme would result in €104,000 of additional government revenue.

For the case of Sweden, Jooa and Nekby (2012) evaluate the impact of the Public Employment Service (PES), which provides refugees with counselling and coaching. The programme consists of job search assistance, validation of foreign credentials, training on the best interview techniques and tips for writing job applications, among others. In the evaluation, a group of randomly selected refugees were given intensified counselling and coaching by PES staff. The PES caseworkers for the selected group of refugees were granted reduced caseloads. From an average of 200 and 250 cases per month, these caseworkers handled 35 to 40 cases. Their results suggest that those refugees who experienced the intensive coaching were 6 percentage points more likely to be employed at the end of the observation period (22-30 months) compare to those who received the regular coaching. At that time, just 14 percent of regular programme participants were employed. This suggests that the intensive coaching improved employment rates by 43 percent.

Several other studies (e.g. Sarvimäki and Hämäläinen, 2016) also confirm that investments in bespoke job search and assistance for refugees results in higher employment rates for this group.

3. Language

Language training improves the economic outcomes of refugees

In the context of high-income countries, many refugees are not fluent in the language of their host country. In this context, there are two key questions. First, does language limitations matter for refugee employment purposes? While this question might seem obvious to some, the reality is that plenty of migrants with limited command of the host country language are able to find employment easily (e.g. many Eastern European migrants in the UK). Second, if language is important, then would additional language training make a difference?

Comparing the outcomes of refugees with different command of the host country language only provides limited information about the role of language, as language skills are related to many other factors that could affect employment outcomes. Ideally, there would be a random mechanism that places similar refugees in different language proximity contexts. Auer (2018) explores the random allocation of asylum seekers in Switzerland, which places individuals across regions with different main languages. Hence, similar refugees experience language proximity differences across locations, while many other cultural and economic factors are similar. His results suggest that being placed in a region with a familiar spoken language increases the probability of employment of refugees within 2 years by 14%.

Given the evidence that language matters for the employment outcomes of refugees, the next step would be to explore what is the value of language training. In order to test this it is necessary to compare the outcomes of individuals with similar language skills who received different levels of language training. Lochmann et al. (2019) used the language assessment of new migrants in France, a substantial portion of which are refugees. New migrants have to take a language test. Those receiving a score of 45 or less (out of 100) are likely to be assigned to further language training. This eligibility rule (i.e. threshold) creates a discontinuity in who gets the additional language training and can be used to estimate the causal effect of the linguistic training. The key here is to focus on those who missed or passed the test by a small margin (i.e. bandwidth). They measure labour market outcomes in 2013, three years after the language test. Their results suggest that an additional 100 hours of language training increase the likelihood of participating in the labour force between 15 and 27 percentage

points. Their estimates suggest that the impact of this language training for refugees is similar to that of the overall migrant population.

There are many other studies showing the importance of language skills for labour market outcomes of refugees and the value of additional language training and some studies show the benefits of having these language training programmes as part of a comprehensive labour market integration programme (Capps et al., 2008; Clausen et al., 2009).

4. Social welfare

Lowering welfare payments incentivises labour force participation of refugees in the short-term but can have negative consequences in the longer term

An important question regarding policies towards refugees is whether welfare assistance can lead to welfare dependence and reduce labour force participation. In theory, a reduction in welfare transfers could potentially increase job search efforts. However, it can have other unintended consequences such as exiting the labour market altogether or further effects at the household level. To understand the impacts of such reforms, it is necessary to compare similar refugees with different levels of welfare access. Again, these differences in welfare access should be uncorrelated to the refugee characteristics. One way of evaluating this is to take advantage of welfare policy changes and make comparison around the timing or threshold of the policy change.

Hynh et al. (2007) explore a policy reform in Denmark in 2002. In 2002, the Danish Government lowered welfare payments by 40% to refugees whose asylum claim was approved from July 2002 onwards. Therefore, the researchers compare refugees who received protection before and after this change to explore the impact of the welfare reduction. The results suggest that those refugees affected by the reform were 3 to 6 percentage points more likely to be in employment 16 months after residency was granted compared to those refugees not affected. Similarly, Rosholm and Vejlin (2010) find positive employment effects of the reform for refugees.

Andersen et al. (2019) re-examined the Danish reform with a longer-term perspective. They found that labour earnings of refugees increased between \$1,100 and \$1,560 in years 1 to 5 after the reform. These represent large percentage increases of between 15% and 60% in labour earnings. However, the average income received via transfers dropped by \$5,000 to \$10,000 during those years. Hence, the increase in labour earnings did not

compensate for the lower benefit levels. In other words, affected households experienced a large decrease in their disposable income.

Andersen et al. (2019) also show that the reform resulted in a higher likelihood of committing a crime, and lower children's participation in pre-school programmes and worse educational outcomes for children. They suggests that the costs of increased crime activity and the drop in future earnings associated with poorer educational outcomes of children mean that the overall effects of the welfare reform is likely negative. The reform also resulted in a reduction of female labour force participation.

Conclusions

This report provides a series of insights about the evidence on the impact of early interventions and related policy changes on the outcomes of refugees in high-income countries. We focus on four types of policies: the asylum process (e.g. waiting times for a status decision, residential allocation policies), job search assistance, language training and changes in social assistance.

The key policy insights from the report are as follows:

- Reducing waiting times for a decision can have a major positive impact on the long-term employment outcomes of refugees.
- Strategic dispersal and placement of refugees to local areas can lead to better employment outcomes.
- Bespoke job search assistance can improve the labour market outcomes of refugees.
- Language training improves the economic outcomes of refugees.
- Lowering welfare payments incentivises labour force participation of refugees in the short-term, but can have negative consequences in the longer term.

Some of the policy changes implied by these results can be done at the national level (e.g. reducing waiting times), while others require coordination with local government (e.g. bespoke job search assistance, language training).

The purpose of the report is to provide insights on policies that could inform policymaking in the UK. However, a key finding of the process is the lack of research with formal impact evaluations of this type in the UK. Therefore, we recommend the UK Government to:

- Conduct and publish formal evaluations of all programmes and policies related to refugees. The lack of formal evaluations means that it is not possible to identify successful and cost-effective programmes to integrate refugees in the UK.

In addition, we encourage the government to increase data collection efforts related to refugees. This should include:

- The collection of new longitudinal survey data on this group. It has been over one decade since the last large longitudinal data collection effort on refugees took place.
- The addition of questions on different datasets and surveys (e.g. Census) that allows identifying refugees (either those with current status or those who had it in the past).
- The use of administrative data to identify refugees and explore their long-term economic trajectories. This could include tax and benefits records and related information.

In addition, to the ones discussed above, there are several other policies/programmes that could potentially lead to better outcomes for refugees, but that have not been properly evaluated. We encourage the UK Government to evaluate these possibilities in the near future. These include:

- Increasing the “move on” period from government provided housing after a positive decision on asylum

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