

MIGRATION

Sustainable Way of Social Integration: Job Generation - How to Estimate and Compare the Cost of Employing One More Refugee?

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Abstract

The objective of this policy brief is to elaborate on a new international corporation mechanism to integrate Syrian refugees into local economies. To specify each country's role in the possible collaboration mechanism, G20 could develop a quantitative methodology to measure the cost of employing one more refugee per hosting country. The result of the analyses could provide an ability to measure every dollar's capacity to generate jobs for refugees across countries. Thereafter, the result could give a chance to calibrate the responsibility sharing among countries hosting refugees in relation to job generating opportunities.

Challenge

The momentous topic of migration has never been more pronounced now that there are 65.6 million forced migrants in the world at the end of 2016.¹ In a world where nearly 20 people are forcibly displaced every minute, more than one third of 65.6 million are forced to flee to another country as international forced immigrants due to conflict, persecution or disasters.² The growing prominence of international immigration triggers a growing need for crucial actions and overall policy design for sustaining economic prosperity, human development, and safety and security for origin, transit and destination countries. This is obvious in the increasing advancements of international cooperation most importantly in the form of the global compacts on migration and refugees.

On the one hand, as statistics show that the employment rate among refugees stands still at very low levels. Even in one of the most developed host countries, Germany, employment rate was just 17 percent among Syrian refugees.³ On the other hand, most of the Syrian refugees are residing in developing countries rather than developed ones, which have limited job-generating capacities with already double-digit unemployment rates.⁴ Seven years of policy implementation experience shows that there is still a room for further international collaboration to allocate international resources in accordance with the needs for the longer-term public policies through integration of refugees to the local labor markets. For instance, the EU-Turkey

1 UNCHR. (2017). Global Trends: Forced Displacement in 2016.

2 Ibid.

3 Financial Times. (2017). Most Refugees to be Jobless for Years, German Minister Warns. June 22 2017. Guy Chazan. Hamburg. Retrieved from <https://www.ft.com/content/022de0a4-54f4-11e7-9fed-c19e2700005f>

4 International Rescue Committee. (2018). Still in Search of Work Creating Jobs for Syrian Refugees: An Update on the Jordan Compact. April 2018.



migration deal turned Turkey into a destination country where 3.6 million Syrians as of April 2018 reside.⁵ As a result, the crossings over Aegean has considerably dropped. This requires bringing those refugees in Turkey to self- resilience in order to add a dimension of sustainability to their lives and to the agreement. Hence, integration to the labor market becomes crucial to achieve the sustainability of both goals.

The objective of this policy brief is to elaborate on a new international corporation mechanism to integrate Syrian refugees into local economies. To do so, G20 needs a way to identify the role of each country in the possible collaboration mechanism. To specify each role, a quantitative methodology could measure the cost of employing one more refugee per hosting country. The overall challenge is to define an analytical framework for a more result-oriented dialogue among stakeholders to address the specific needs of labor market dynamics.

Proposals

Approach

A sustainable integration process comes face to face with the following challenge; generating inclusive job opportunities for both locals and refugees that leads to enhancing social cohesion. In light of this challenge, country specific analysis of labor market factors would increase the coherence in both international policymaking and process implementing.

Rationale

The link between GDP growth and employment growth is not the same in every country. This difference indicates that countries have different set of job generating capabilities.⁶ While elasticity of employment⁷ with respect to the output varies from one country to another, each dollar from a stimulus package designated to increase employment level has different impact on distinct economies. Intuitively the different impacts has roots in the following reasons:

5 Republic of Ministry of Interior Directorate General of Migration Movement, Migration Statistics. Temporary Protection.

6 Kapsos, S. (2005). The Employment Intensity of Growth: Trends and Macroeconomic Determinants. International Labour Office, ILO.

7 Elasticity of employment indicates that how much employment growth is associated with one percentage point of economic growth.



- First, countries have diverse economic opportunity sets. Economic opportunity set, or economic complexity of a country, indicates the set of production capabilities considering the country's level of economic diversification, sophistication, and the connection among the capabilities.⁸
- Second, employment taxes, social security premiums, and more generally administrative costs are other dimensions to shed an impact on job generating capabilities of any stimulus package.
- Third, the difference in purchasing powers among countries also attributes to the cost of employing one more refugee, as well.
- Fourth, if the targeted population is refugees rather than locals, employing one more person comes with short-term fiscal costs of asylum seeking and settlement.⁹

In so far, the objective of this policy brief is to delineate the cost of employing one more refugee in hosting countries and, thereafter, providing the international community with a mechanism to calibrate the responsibilities of the involved countries. The mechanism is of an analytical framework for a more result-oriented dialogue among countries. The result of the analyses:

- Could devise guidance for refugee hosting countries in order to formulate policy guidelines of labor market integration.
- Could draw comparative support schemes in relation to the capacity and the population of refugees in every country.
- Could provide an ability to measure every dollar's capacity to generate jobs for refugees across countries.
- Could calibrate the responsibility sharing among countries hosting refugees in relation to job generating opportunities.

8 Hausmann, R., Hidalgo, C. A., Bustos, S., Coscia, M., Simoes, A. and Yildirim, M. A. (2014). The Atlas of Economic Complexity Mapping Paths to Prosperity. Center for International Development.
Hausmann, R., J. Hwang and D. Rodrik (2006). What You Export Matters. CEPR Discussion Papers 5444, Centre for Economic Policy and Research, London.

9 OECD. (2017). Migration Policy Debates. No 13, January 2017.

Ruist, J. (2016). Fiscal Cost of Refugees in Europe. VOXEU. January 28, 2016.



Suggested Methodology and Concepts for a Quantitative Assessment

A three phase quantitative research methodology would identify the cost of employing one more refugee through: (I) measuring set of capabilities and economic complexities, (II) measuring social security premiums, and (III) measuring costs of settlement. The three phases would yield an econometric model to summarize the aforementioned measurements. In addition, desk research and fact finding missions are complementary tool to enrich the model. Hereafter, we elaborate on the design of the suggested methodology of each phase.

I. Measuring Set of Capabilities and Economic Complexities

Theory of classical economics evaluates an economy as the sum of labor and capital activities (i.e. $Y=F(K,L)$). Whereas the Economic Complexity literature suggests that every economy has a complex structure. The latter suggests that producing goods requires a level of know-how and distinct capabilities that elevates countries production bundles. In other words, producing one good can yield an opportunity to gain expertise in the production of a similar one. However, it is hard to name and measure all capabilities to produce a product since they are not observable at all times therefore not quantifiable. Nonetheless, one can know which countries produce which products. If the same countries produce the same products, an educated guess would suggest that these products require similar capabilities. Identifying conditional probability of producing goods together will yield quantitatively measured proximities between goods.

This background gives a chance to analyze the relationship between economic capabilities of the host country and job creation opportunities. From an economic complexity angle, there are more opportunities and hence less cost in employing one more refugee in a country like Turkey than Jordan, which has less economic complexity. This would become even less costly in a country like Germany since it has a more complex economic structure than Turkey. In addition, if the capabilities of forced migrants and local of hosting countries are similar then employing one more Syrian refugee may be less costly in that hosting country. Otherwise, the employment cost of one more Syrian refugee would rise since it requires more resources to integrate the forced migrant into the labor market through skills development.

II. Measuring Social Security Premiums of Employment

Institutional structure of employment might change from one country to another as the employment taxes and social security premiums differ from one hosting country to another. For instance, in Turkey, the employment taxes are higher in comparison with



most of the other OECD countries. Therefore, the cost of employing one more refugee will be higher and could require incentives to achieve that endeavor in a country like Turkey. In regard, there are already open source indicators of social security premium but these measures do not include additional costs such as administrative and legal costs of employing a Syrian refugee than a citizen. Also, the difference in purchasing power should be reflected in the accounting process as well.

III. Measuring Costs of Settlement

There are already some academic studies and findings for measuring the fiscal cost of settlement from the beginning of the asylum process.¹⁰ These include different methodologies covering different time horizons of settlement. The task at this stage will be collecting data to produce a unified measurement list for the identification of the costs of settlement across countries.

Econometric Model

Econometric model would be the result of the three aforementioned measurements. Calculating country employment elasticities will be the main task of this stage.

The most basic definition of the employment elasticity is the percentage change in the number of employed persons in an economy associated with a percentage change in GDP. In regard with this broad definition, a multivariate log-linear regression model with country dummy variables will be employed for generating the point elasticity. More components will accompany the base model to reflect similarity level between Syria and the host country, the economic complexity level of the host country itself, social security premiums, purchasing power parities, and the cost of settlement.

The framework will then pave the way for making cross-country comparisons. For instance, job-generating opportunities of one-dollar stimulus in Jordan or Germany could be compared to the return rate of employing refugees.

Moreover, if there are underutilized economic capacities, the hosting country can employ one more refugee to revitalize the unused capacity. Whereas in an economy that has already utilized its sources, it would be more costly to employ one more refugee as it would require additional investment to create the capacity to create additional jobs. Hence, a more macro scope approach would add to the analysis to assess the role of output gap in job creation.

10 OECD. (2017). Migration Policy Debates. No 13, January 2017.

Ruist, J. (2016). Fiscal Cost of Refugees in Europe. VOXEU. January 28, 2016.



Possible Set of Results

Most migrants are in low or middle-income countries. Moreover, labor market integration is key in sustaining social cohesion. Considering that economic complexity and job creation capacity vary across countries, the objective of this policy brief is to delineate the cost of employing one more refugee in a country like Turkey.

Initial economic complexity analyses suggest followings:

- 1.** Three destinations stand out as largest refugee hosting countries: Turkey and Jordan among the developing countries and Germany among the European developed countries.
- 2.** Turkey has more economic complexity than Jordan, but less than Germany.
- 3.** Jordan has more capabilities that are similar with Syrian refugees' than Turkey. Turkey on the other hand has more capabilities similar to Syrian refugees' than Germany.

Depending on the results of the model, the cost of employing one Syrian refugee in each country will be precisely identified. Hence, the comparison of cost designated to each country will be a base for further calibration of investment decisions to increase job opportunities in the best available country standing out as a result of the model. Moreover, the findings of this study can be base to find a way to how to lower the cost of employing one more refugee in specific countries while knowing the reason behind the costs.

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