

## Chapter 1. Recent trends regarding inflows of refugees and other vulnerable migrants

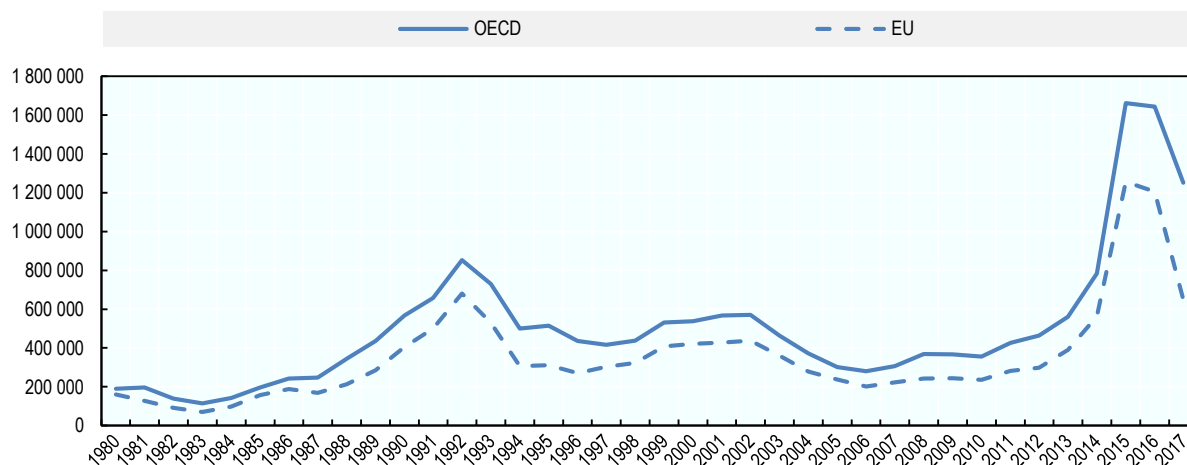
*In recent years, OECD countries have witnessed large inflows of refugees and other vulnerable migrants. This chapter reviews the evidence on the magnitude of these inflows and their expected economic impact, and discusses the multilateral response which has been brought about.*

## What do we know about recent trends regarding refugees and other vulnerable migrants?

The world's refugee population has increased significantly in recent years, from 11.1 million in mid-2013 to 19.9 million in mid-2018. During this period, the refugee population in OECD countries has nearly tripled, from 2 million to 5.9 million, while it has more than doubled in the European Union (from 920 000 to 2.1 million). This is due in part to the massive displacement occasioned by the Syrian War. However, conflicts and humanitarian crises in other countries have also played a role (e.g. in Afghanistan, Iraq, Sudan, the Horn of Africa and Central America). Despite the rapid increase in the number of refugees hosted by OECD countries, this still represents a relatively small fraction of the 28.5 million people forcibly displaced outside their home countries worldwide.

New asylum applications reached a record level in the OECD area and the European Union in 2015 and 2016 (Figure 1.1). European countries received 4 million asylum applications between January 2014 and December 2017, three times as many as during the previous four-year period. About one-quarter (960 000) of those applications were made by Syrian nationals. During the same period (2014-17), about 1.6 million individuals were granted some form of protection in European countries, including 780 000 Syrians (OECD, 2018<sup>[1]</sup>).

**Figure 1.1. New asylum applications since 1980 in the OECD area and the European Union**



Note: Preliminary data for 2017.

Source: UNHCR, Eurostat.

Although the inflow numbers of migrants seeking protection in European countries in the past three years have been high by historical standards, they have remained much lower, in both absolute and relative terms, than inflows experienced by countries neighbouring Syria. In November 2018, about 3.6 million Syrians benefited from temporary protection in Turkey, 1 million in Lebanon, and about 670 000 in Jordan. Turkey has been the leading destination country for refugees in the OECD area for seven years, and is the top refugee-hosting country in the world.

Other OECD countries have witnessed increasing inflows of humanitarian migrants. In Canada for example, permanent entries for humanitarian reasons have increased from an

average of 25 000 per year in 2011-14 to 32 000 in 2015 and to almost 60 000 in 2016. In 2017, permanent entries for humanitarian reasons declined by 30%, due to the decrease in the number of resettled refugees brought to Canada.

Along with other Latin American countries, Mexico, Chile and Colombia have also witnessed a recent increase in asylum applications from Venezuelans due to the deteriorating economic and political situation in that country (see Box 1.1). Spain and the United States have also witnessed increased asylum applications from Venezuelan nationals.

For European countries, the decline in asylum applications that began in the second half of 2016 has continued in 2017 and 2018, with 50 000 to 60 000 monthly applications compared to 130 000 between July 2015 and September 2016. Despite this slowdown, because of the time required to process asylum claims, the number of pending applications remains very high at 880 000 in August 2018, including those from almost 100 000 Syrians.

The sharp increase in asylum seeker inflows in 2015 and 2016 compared to previous years had little effect on the age and gender distribution of asylum applicants or accepted refugees in European countries. Throughout the period 2011-17, about 71% of asylum applicants were aged 18-64, whereas children (aged 0-17) represented about 29%. In addition, three-quarters of working-age asylum applicants were men. These characteristics of asylum applicants do not differ significantly from those of accepted refugees. By contrast, the share of children among Syrian refugees in Turkey is significantly higher (40%), while the share of men among working-age refugees is smaller (56%).

#### **Box 1.1. Recent emigration from Venezuela and demands for international protection**

In the past few years, the complex socio-economic and political situation in the Bolivarian Republic of Venezuela has caused many Venezuelans to move to neighbouring countries and beyond. More than 3 million now live abroad, most of whom left in the past three years. Their primary destinations were Brazil, Colombia, Costa Rica, Mexico, Peru, Spain and the United States. According to figures provided by host governments, about 360 000 Venezuelans lodged new asylum claims since the beginning of 2015, including more than 200 000 in 2018. More than 40% of asylum applications were made in Peru, 20% in the United States, 18% in Brazil and 8% in Spain. In addition, by October 2018 almost 1 million Venezuelans had accessed alternative legal forms of stay under national or regional frameworks, including in Colombia (415 000), Chile (130 000), Peru (110 000), Ecuador (97 000) and Argentina (93 000). However, the majority find themselves in irregular situations. Without access to some form of legal status, they are at a higher risk of violence, exploitation, sexual abuse, trafficking, and discrimination. While the responses of states were generous, host communities receiving Venezuelans were also under increasing strain as they sought to extend assistance and services to those arriving.

*Source:* OECD/ILO/IOM/UNHCR (2018<sub>[2]</sub>).

There are groups of migrants in vulnerable situations apart from persons seeking international protection. The number of unaccompanied migrant children, for example, has increased sharply in recent years in the United States and in many European OECD countries. Between 2014 and 2016, European OECD countries received more than 180 000 asylum applications from unaccompanied minors, and the United States reported almost 170 000 border apprehensions of unaccompanied minors. While some of these unaccompanied children are also applicants for international protection, all of them are in situations of vulnerability and require special consideration and case management by host countries.

Another group of migrants in a situation of vulnerability are those with very low levels of education. This group includes many who have sought international protection, but also migrants who have legal status and arrived through other channels. Among immigrants who arrived in OECD countries in the past five years, at least 4.4 million had less than secondary level education, including some with little or no formal education at all.

### **What is the expected economic impact of the recent inflows of refugees and other vulnerable migrants?**

Recent inflows of refugees have a sizeable potential economic impact – both due to the fiscal cost of hosting a larger-than-usual number of asylum seekers and refugees, and in terms of labour market adjustment since a large share of new refugees are of working age. This also includes the cost of processing a large number of asylum applications and, more importantly, providing subsistence to asylum seekers while their applications are being examined.

Frequently, before gainful employment is obtained, a significant proportion of refugees will continue to be dependent on the welfare systems of host countries. For numerous refugees, access to the labour market and proper social integration are conditional on adequate language training, as well as professional training if necessary; both are often largely financed by public funds. Although such expenses can strain local and national budgets in the short run, they can also have a positive impact on the economy by boosting aggregate demand. An OECD analysis (OECD, 2017<sup>[31]</sup>) focusing on countries having recently received a relatively high number of asylum applications as a share of the population has shown that fiscal costs peaked in 2016 in most of these countries, ranging from 0.1% to 1% of GDP.

The additional labour force provided by refugees has in some cases also been considered a potential means to alleviate labour shortages in the context of an ageing European workforce. The recent refugee inflows, however, occurred as many European countries were recovering from the deep global financial crisis and were still facing high levels of unemployment. In that light, the public's perception has not always been positive; there have been fears of detrimental effects on wages or employment, especially for low-skilled native workers.

Historical evidence suggests that large inflows of migrants seeking protection in OECD countries have generally had little impact on the labour market outcomes of the native-born at the national level. Some studies have even noted that the skill complementarity between refugees and natives can have positive consequences for natives. Other works have noted more significant negative effects at the local level or for specific population sub-groups – for example, when refugees compete for the same jobs as the native-born. This is the case in Turkey, the country hosting the largest number of

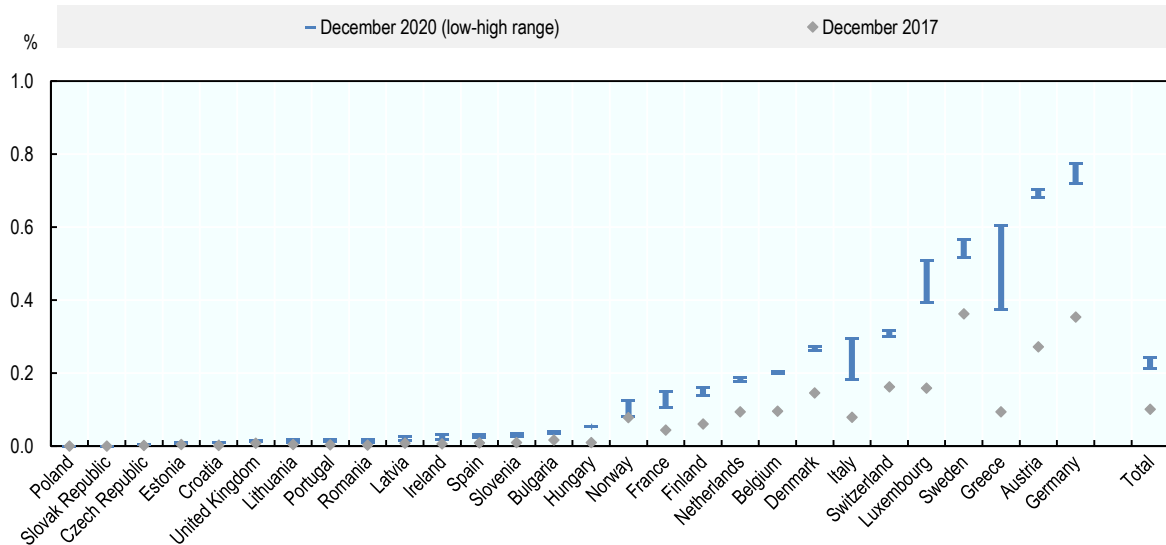
refugees worldwide. Due to constraints in obtaining work permits, most Syrian refugees have found employment in the informal sector, which has led to significant employment losses for the native-born in that sector.

For European countries as a whole, the estimated relative impact of recent refugee inflows on the size of the working-age population is small, projected to reach no more than one-third of 1% by December 2020 (OECD, 2018<sub>[1]</sub>). In terms of labour force, since participation rates of refugees are typically very low in the early period of their stay in the host country, the magnitude of the aggregate net impact is estimated to be even smaller, at less than one-quarter of 1% by December 2020. For about half of European countries, refugee arrivals will have virtually no impact on the labour force, and most other European countries will experience only a moderate impact by the end of 2020. The impact is expected to be significantly higher in Austria, Greece and Sweden, however, with at least a 0.5% increase in the labour force and up to 0.8% in Germany (Figure 1.2). In countries with the highest aggregate effects, the impact is again likely to be much stronger in specific segments of the labour market: among young low-educated men in Austria and Germany, it could reach about 15%.

Turkey alone is currently hosting more than twice as many Syrians as the total number of Syrians who have received some level of protection in all EU countries since January 2014. As from November 2018, about 3.6 million Syrians benefit from temporary protection in Turkey. Among these, about 240 000 reside in refugee camps administered by the Turkish Government; most of the camps are located near the Syrian border. Outside the camps, Syrian refugees now make up nearly 10% of the population of several border cities. The largest metropolitan areas, especially Istanbul and Ankara, as well as the Aegean coast also attract many refugees seeking job opportunities (OECD, 2018<sub>[1]</sub>).

**Figure 1.2. Relative change in the labour force due to increased inflows of asylum seekers between 2014 and 2017 in Europe**

Cumulative change estimated in December 2017 and December 2020



*Notes:* Includes EU-28 countries, Norway and Switzerland. The relative change in labour force is the difference between the estimated refugee labour force accounting for increased inflows since January 2014 and the counterfactual refugee labour force (i.e. assuming that asylum applications in 2014-20 remain equal to the 2011-13 average), divided by the total labour force in December 2013. Up to December 2017, observed data on asylum applications and decisions are used; for 2018-20, it is assumed that asylum applications are either equal to the 2011-13 average or to the 2017 average, generating the December 2020 low-high range.

*Source:* Eurostat: asylum statistics, labour force statistics; OECD estimates.

Access to the labour market is a key issue for Syrian refugees, with many taking up informal jobs. Prior to January 2016, refugees could only apply for a work permit if they held a residence permit, which was the case only for a small minority. Under the current regulation, Syrian refugees can apply for a work permit six months after being registered under temporary protection. These permits, however, are only valid in the locality of registration, which limits their attractiveness: most Syrian refugees are registered in border areas with few employment opportunities. Securing a formal job in another location therefore requires registering for and obtaining a work permit in that location. As a result of these constraints, less than 14 000 work permits had been issued to Syrians at the end of 2016. Although there was an increase in 2017 with about 21 000 permits delivered, and although Syrians involved in seasonal work in agriculture are still exempted from requiring a work permit, these figures remain well below the number of Syrian refugees in need of work (see Box 1.2).

### **Box 1.2. The labour market impact of Syrian refugees in Turkey, 2011 to the present**

As of November 2018, the 1.9 million working-age Syrian refugees living in Turkey represented about 3% of the total working-age population of the country, with a much higher proportion in border cities as well as in Istanbul and Ankara. Due to the constraints in obtaining work permits, it is estimated that most Syrian refugees in employment have informal jobs, which are common in Turkey (about 20% of total employment).

Several recent papers have attempted to estimate the impact of Syrian refugees on the Turkish economy, and particularly on the labour market. Ceritoglu et al. (2017<sub>[4]</sub>) find that immigration has negatively affected the employment outcomes of natives in the south-eastern border area, while its impact on wages has been negligible. They document notable employment losses among informal workers as a consequence of refugee inflows, although formal employment increased slightly, potentially due to increased demand for social services. They also find that disadvantaged groups (women, younger workers and less-educated workers) have been affected to a greater extent, and that the prevalence of informal employment in the Turkish labour market has amplified the negative impact of Syrian refugee inflows on natives' labour market outcomes. Del Carpio and Wagner (2016<sub>[5]</sub>) find similar results: Syrian refugees induce large-scale displacement of the native-born in the informal sector. There are also increases in formal employment for the Turks – though only for men who have not completed high school education. The less educated and women experience net displacement from the labour market and, together with those in the informal sector, declining earning opportunities.

### **What has been the multilateral response to the recent surge in inflows of refugees and other vulnerable migrants?**

The recent surge in refugees led to an unprecedented multilateral response, with the question of integration appearing on the international policy agenda as never before.

A World Humanitarian Summit<sup>1</sup> was held in Istanbul in May 2016, organised by the UN OCHA on the basis of the Agenda for Humanity published by the UN Secretary-General. Among other objectives, the Summit aimed at initiating a set of concrete actions and commitments to enable countries, local governments and communities to better prepare for and respond to crises, and to withstand shocks. Integration of refugees and other vulnerable migrants was one issue area where a number of states and non-state actors made commitments. The OECD has committed to support member countries in their efforts to strengthen integration programmes for refugees; to make development co-operation more efficient, effective, innovative, and focused on building resilience in situations of forced displacement; and to improve consistency, comparability and transparency in the reporting of in-donor refugee costs, so as to enhance accountability and contribute to the quality and effectiveness of aid.

At the European Union level, a multilateral and concerted response by Member States took a number of different forms. Support was arranged for countries exposed to sudden large inflows. The EU also co-ordinated Member State actions on integration. For example, in June 2016 it adopted an Action Plan on the Integration of Third-Country Nationals, which provides a comprehensive framework to support Member States' efforts in developing and strengthening their integration policies, alongside measures taken by the European Commission. The Action Plan targets all third-country nationals in the EU,

and includes actions to address the challenges faced by refugees. It also redefines the approach for EU funding for integration. The EU directs that funding through its 2014-20 Asylum, Migration and Integration Fund (AMIF), which exceeds EUR 3 billion and covers actions that include those favouring integration of third-country nationals. In 2017, the Commission also established a “European Partnership for Integration” with social and economic partners at European level, to work more closely together to promote a faster and more effective integration of refugees in the European labour market. In addition, there is increased support to local and regional authorities, in particular through the Urban Agenda Partnership on the Inclusion of Migrants and Refugees.

At the OECD, the Development Assistance Committee (DAC) has developed new guidelines on reporting in-donor refugee costs. These reveal a steep increase in costs among DAC members, especially in Europe. Prior to 2013, in-donor costs were about USD 2 billion annually in EU countries, with a similar amount in non-EU countries. In 2016, they reached USD 12.3 billion, before falling slightly in 2017 to USD 11.2 billion. In non-EU members, they hit 3.6 billion in 2016, before falling to 2.5 billion in 2017. While overseas development aid (ODA) helped support costs of the immediate response to this crisis, many observers argued that these are not in line with the main ODA objective of promoting the economic development and welfare of developing countries. In 2017, new clarifications to the reporting directives on in-donor refugee costs were agreed upon, which will improve the consistency, comparability, and transparency of DAC members’ reporting of these costs.

The most important event in multilateral response was the high-level plenary meeting on addressing large movements of refugees and migrants held at the United Nations in September 2016. The New York Declaration for Refugees and Migrants (UN General Assembly, 2016<sup>[6]</sup>), which followed the meeting, addressed for the first time at this high level the need for a comprehensive response.

For both refugees and migrants, the Declaration by the General Assembly committed to “measures to improve their integration and inclusion, as appropriate, and with particular reference to access to education, health care, justice and language training”. The document also called for national policies to be developed “as appropriate, in conjunction with relevant civil society organizations, including faith-based organizations, the private sector, employers’ and workers’ organizations and other stakeholders”. The Declaration further encouraged governments and civil society to interact more deeply, in light of the role of civil society in promoting “the well-being of migrants and their integration into societies, especially at times of extremely vulnerable conditions”.

A further outcome of the 2016 event was the commitment to a Global Compact on Refugees (GCR). The Compact aims to facilitate access to durable solutions, which include “the three traditional durable solutions of voluntary repatriation, resettlement and local integration, as well as other local solutions and complementary pathways for admission to third countries, which may provide additional opportunities”. The final draft was released in July 2018, with a plan to develop indicators and a timeline to increase the number of resettlement places.

As part of the GCR, the General Assembly committed to implementing a Comprehensive Refugee Response Framework (CRRF), covering reception and admission; support for immediate and ongoing needs; support for host countries and communities; and development of durable solutions. In this framework, the OECD and UNHCR have developed a monitoring system of the use of complementary pathways for admission of those with international protection needs. The OECD has also been working on “funding



and effective and efficient use of resources”. This input is to come through a survey of trends in ODA from DAC members to programmes and projects focused on refugee-hosting, as well as future funding plans and other efforts.

Integration appeared more prominently in the work of the G20. Among the policy priorities to which the ministers committed in their statement at the G20 Labour and Employment Ministers Meeting in May 2017 was “Promoting the fair and effective integration of regular migrants, recognised refugees and returning migrants in labour markets, in accordance with national law” (G20 Labour and Employment Ministers, 2017<sup>[7]</sup>). The statement’s Annex also contains a number of points targeting integration of refugees and other vulnerable migrants.

## Note

<sup>1</sup> [www.agendaforhumanity.org/summit](http://www.agendaforhumanity.org/summit).

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