

Improving access to labour markets for refugees

Evidence from Uganda



In brief

- Even with open refugee policies, there are obstacles that prevent refugees entering the labour market in Uganda, the third largest refugee hosting country in the world. These obstacles affect both the demand and supply side of labour markets.
- This brief explores what the most relevant constraints facing refugees are when they look for jobs in an emerging economy. The authors collect novel data, combining detailed face-to-face surveys, lab-in-the-field experiments with 401 firms in urban areas, and 584 refugee job seekers across one refugee settlement and two cities in Uganda.
- The findings suggest the main obstacles on the labour demand side are that Ugandan firms discriminate against refugee job seekers and have either unclear or incorrect information regarding the legal status of refugees in the country.
- The researchers also find that refugees in urban areas tend to be less trusting of Ugandans and that refugees in rural areas would be willing to migrate to cities if they thought they were likely to get a job and (relatedly) if they had personal connections in the city.
- Based on these findings, the researchers are planning further research with two interventions to address the obstacles impeding refugees' access to local labour markets.

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Overview of the research

Recent conflicts and sectarian violence have produced the highest number of refugees ever recorded in the world. Currently, almost 20 million of refugees worldwide have been forced to flee their homes (UNHCR, 2019). The majority of these people are hosted by developing countries. For these reasons, the efforts of the United Nations High Commissioner for Refugees (UNHCR) and other partners are moving towards a new approach in refugee management: from the prevalent emergency perspective to a development one. However, refugees, especially in developing countries, may find it particularly hard to access local job markets, for various reasons.

On the labour demand side, there may be information frictions where firms may find it hard to verify refugees' skills due to their lack of education certificates. Firms may also face political and legal uncertainties that distort their hiring decisions. For example, although they may be willing to hire a refugee in principle, if firms think that local laws do not grant refugees the right to work, they may be hesitant to do so. Finally, firms may discriminate against refugees. Discrimination can be statistical (Phelps, 1972; Arrow, 1973; Bordalo et al, 2016), for instance, due to stereotypes that perceive refugees not to be as hard workers as nationals. It can also be taste-based (Becker, 1957), where local employers dislike working with people of different nationalities or ethnicities.

On the labour supply side, refugees may find it hard to access local labour markets because of their lack of connections (whence a lack of referral opportunities), knowledge of local markets and/or because of language barriers.



Hotel run by refugees in Nakivale refugee settlement. ©Marijo Silva

This study focuses on Uganda, which is the third largest host of refugees in the world and the largest in Africa. The aim of this project is to study what constraints refugees incur in a country that is characterised by an open policy towards displaced people. Indeed, the Ugandan policy

grants complete freedom of movement and full rights to work. Refugees that choose Uganda as their host country tend to come mainly from neighbouring states in turmoil such as South Sudan, the Democratic Republic of Congo, Burundi, and Somalia (UNHCR, 2019). As in many other countries, Uganda limits refugee assistance provided to those living in refugee settlements. However, in contrast with the policies adopted by other countries, refugees are free to decide to live elsewhere and, consequently, not to receive aid.

This study interviewed 401 firms in two urban areas that attract refugees—Mbarara and Kampala—and 584 refugee job seekers living in the Nakivale refugee settlement. Moreover, the researchers undertook the following lab-in-the-field experiments to measure different outcomes: the Goldberg paradigm, a vignette experiment to measure firms' discrimination towards refugees; a modified version of the trust games with both samples to measure in-group favouritism; and a discrete-choice experiment using hypothetical migration choices to explore what factors would stimulate refugee migration to urban areas.



Urban refugees and rural refugees from the Somali community. ©Marijo Silva

The research aims to answers to the following questions:

1. Is there discrimination against refugee job seekers and what type of discrimination is there?
2. Are there information frictions within firms?
3. What are refugees' job search behaviours?
4. What are the characteristics and living standards of rural refugees (at least those living in South-Western Uganda) and urban refugees (living in major urban areas in Western and Central) and how do these differ?
5. What factors would stimulate refugees' migration to urban areas?
6. Is there in-group favouritism within both groups of people?

Policy motivation for research

Investigating the main frictions that affect refugees when looking for jobs in a developing country is of extreme importance, not only for refugees but also for countries and international organisations. Around 85% of displaced people worldwide are hosted by developing countries, and this migration is unlikely to be temporary. With scarce resources with which to address this, enhancing opportunities for self-reliance of refugees is key. Although the majority of refugees are hosted in developing economies, many of them want to be re-settled to other countries because of the lack of opportunities they currently have (CGDEV, 2018).

Summary of the findings

Key research questions	Summary of the key findings
<i>Is there discrimination against refugee job seekers and what type of discrimination is there?</i>	All across our specifications, the researchers find that, in absence of any information regarding their experiences, refugees face discrimination both in entering the job market and in the hypothetical monthly salary they would receive. Adding information on the job seekers' previous experience and education changes the effect of the vignettes about the refugee job seeker. However the magnitude of this coefficient is almost half of that on Ugandan job seekers, suggesting that local firms discriminate against refugees regardless of the information provided to them.

<i>Are there information frictions among firms?</i>	Yes. When asked whether the current law allows refugees to live or work freely anywhere in Uganda, only 21 and 23% gave the correct answer respectively. Around one third of firms claimed that refugees are not allowed to move outside their settlements or that they are not allowed to work. The remaining firms did not know the answer.
<i>What are refugees' job search behaviours?</i>	The researchers asked what documentation firms usually ask job seekers to bring with them when they apply for jobs and what refugees actually bring along when they look for jobs (conditional on having looked for jobs during the past year). The researchers find that on average refugees are not equipped with all the documentation that firms ask to job seekers.
<i>What are the characteristics and living standards of rural and urban refugees and how do these differ?</i>	While refugees in urban areas are mostly attracted by economic opportunities, those living in the rural area of Nakivale chose the settlement following authorities or family decisions, suggesting that these refugees are less mobile and less active on the labour market, and that their networks are located in the settlement as well. Refugees report low level of satisfaction, with an overall average of 3.7 on a likert scale ranging from 0 to 10. Refugees living in the settlement of Nakivale have the lowest level of satisfaction compared to refugees living in urban areas. The researchers also measure depression in their sample of refugees, using the CESD-D scale. The researchers find that Nakivale refugees score higher levels of depression than urban refugees.
<i>What factors stimulate refugees' migration to urban areas?</i>	Employing the discrete choice experiment (DCE), the researchers find that two factors would push refugees to migrate: the higher the probability of getting a job outside the settlement. and personal ties at destination.
<i>Is there in-group favouritism within both samples?</i>	Using a modified trust game, the researchers find that refugees are more confident trusting a stranger that comes from their own country as opposed to a stranger that comes from Uganda.

Policy reflections

The researchers are currently designing two field experiments in order to investigate what type of interventions could improve refugees' labour market access. After these experiments they will be able to provide strong policy recommendations. What the researchers can suggest based on these preliminary results are the following:

- SMEs discriminate against refugees. Thus, any future programme that wants to promote their integration into the labour market should take this into account.
- The majority of firms' owners have incorrect or unclear information regarding the legal status of refugees in the country. Further, refugees tend not to possess the documentation firms require. Therefore, successful policies regarding refugee integration in job markets will require sensitisation and information campaigns.
- Refugees in urban areas tend to be less trusting towards Ugandans. Reform programmes need to increase the level of trust that refugees have towards Ugandans in order for refugees being more integrated in the local economy. These can be achieved with more awareness campaigns targeting national citizens and hosted refugees alike.
- Levels of satisfaction among all refugees are generally low, but refugees in settlements have higher levels of depression. Therefore programmes aimed at helping refugees to become self-reliant need to think about mental well-being of those that are currently living in settlements.