

# Proposal 2: Direct effects of refugee work permits: RCT evidence from Country X

## SUMMARY

Over the last 10 years, upwards of 50 million people have been displaced across the world, a staggering number that creates massive costs for both migrants and recipient communities (UNHCR, 2022). This number is set to grow as our planet warms. Giving refugee populations the right to work is an essential response to protracted displacements that cannot be managed through humanitarian support alone. Yet, 62% of refugees still face significant restrictions on their right to work (UNHCR, 2021). This decision likely harms both refugees and recipient communities who have to support refugee populations but also misses out on the many contributions their labour may bring. Evidence on the direct and indirect effects of allocating refugees the right to work could lead to political change with a humanitarian and productivity dividend.

We are seeking funding from multiple sources for an ambitious large-scale Randomised Controlled Trial (RCT), to be conducted in collaboration with the Country X government, that will provide the first experimental evidence of the impact of refugee work permits on both recipients and the recipient population. Our research design will assess how the right to work directly impacts the lives of recent refugees from Country Y, while also laying the foundation for estimating the spillover effects on the host community, for which we will seek alternative funding.

By using an RCT, our proposed project will generate the first undeniably causal evidence of how changing access to work permits impacts refugees across many dimensions. The impact of this right to work for refugees is not necessarily positive; to avail themselves of the opportunity participating refugees will have to move away from camps where they have access to more direct support. Through carefully designed surveys, we will study how the right to work impacts refugee's social, economic, and health outcomes.

## RESEARCH DESIGN

Our project aims to answer the following research question: How does issuing work permits to refugees impact their economic, social, and mental well-being?

As 86% of the 26.4 million refugees in the world are hosted by low- and middle-income countries, it is pertinent to conduct this research in an appropriate context to ensure the results are external valid for the majority of refugee situations. Our research project focuses on refugees hosted by Country X, a low-income country. Country X serves as an ideal research setting for several reasons. It hosts roughly XXX,XXX refugees, one of the largest populations of refugees in the continent. Unlike many other host countries, refugees in Country X predominantly reside in refugee camps, providing a unique opportunity to resettle refugees in the host community with the immediate right to work via work permits. Finally, the government has already demonstrated a strong commitment to expand the right to work to its refugees by signing and passing couple of refugee legislations [names of the legislation are anonymized by the IGC] to create a pathway for allowing refugees to work. We have signed an MOU and are working toward a formal strategic partnership with XXX to introduce systematic variation into an already-planned expansion of work permits. Because the government does not plan to initially allocate permits to all current refugees, randomized allocation presents a fair way to allocate the limited stock, and will also allow for important learning outcomes.

Our research design provides a unique opportunity to generate irrefutable evidence on how allowing refugees to work impact both refugees themselves and their host communities. While Randomized Controlled Trials (RCTs) are widely used in applied economics research, we have not found any study that constructs an RCT to assess these impacts, as the nature of refugee arrivals are not conducive to randomization. However, the majority of refugees in Country X are in refugee camps such that issuing work permits will also result in re-location of refugees into a specific host community labour market. By strategically relocating refugees with work permits to particular towns, our research design will also let us estimate the effects of their arrival and subsequent integration into the local labour force. We seek IGC funding for surveying to measure the direct impacts, but the randomization will allow for the study of indirect effects, for which we will seek other funding.

We will first conduct a skills survey of eligible refugees who are interested in participating in the government's work permit scheme. Assisting the government's refugee agency in the design and implementation of this survey is key element through which our project directly involves the most important user of our research in Country X. The skills survey will allow the researchers, the government, and other stakeholders to classify refugees into the occupations they are best suited to work in based on their skills, past work experience, and occupational preferences. A subset of refugees will then be selected randomly from each occupation group to participate in the initial distribution of work permits. Participating refugees will be given a location-specific work permit, which corresponds to a nearby treatment town. Towns will be selected based on proximity to field offices of the government refugee agency to allow for the continued monitoring and

protection of refugees by the government and UNHCR. The spatial conditionality responds to government concerns that too many refugees will move to one area, and their desire to be able to continue to monitor refugees.

Beyond randomly selecting refugees to participate in the work permits program, we conduct two levels of randomization at the town level. Towns are randomly assigned to either treatment or control, where treatment towns host the incoming refugees. A town pair is then constructed with one treatment and one control town. Town-pairs are then randomly assigned to an occupation of focus, such that the treatment town receives refugees that are predicted to work in said occupation.

Compared to previous studies, this research design separately identifies the supply and demand effects from the arrival of refugees. The workers in the occupation that does not receive refugees in the treatment town will experience only the demand effect of refugees arriving (the increase in the demand for goods and services). The workers in the occupation that receives refugees in a treatment town will face both demand and supply effects as refugees will be entering into their occupation in addition to generating more demand for the goods and or services produced by that occupation.

Our experimental design concentrates the effect of a refugee influx onto specific occupations, which maximizes likelihood of detecting an effect compared to a design where refugees enter all occupations. It also reduces the magnitude of the study, requiring fewer work permits to be issued and a smaller set of town-pairs to detect same effect size as an untargeted design. Based on initial power calculations, we estimate 50 treatment towns and 50 control towns are needed to detect meaningful effects on labour market outcomes such as hours worked, unemployment rates, and wages. Using existing employment data to profile a typical town in Country X, sending 100 refugees to work in a specific occupation would result in a 10% increase in the labour force for that occupation. The study overall would then require at least 5000 work permits to send 100 refugees to each of the 50 treatment towns.

To measure the direct effects of issuing work permits to refugees, we will also conduct an endline survey among the refugee participants. By comparing this against the baseline skills survey, we will be able to measure how access to work has impacted the refugee beneficiaries across a wide-set of outcomes.

Throughout constructing this research design, we made careful consideration to ensure the protection of refugees and the minimization of harm for local communities. Location-specific work permits are essential in this effort. Location-specific work permits enable the government and UNHCR to continue monitoring and protection of refugee unlike if refugees resettled all across Country X. By further choosing locations that are near existing government refugee agency field offices, we are able to feasibly and cost-effectively implement monthly check-ins for refugees to ensure refugees are finding jobs in their host towns. Supporting the government to put in place a management information system and data collection infrastructure at these field offices is a second key element of our impact strategy. Location-specific work permits also enables the government to manage the placement of refugees, ensuring refugees are more evenly spread out. Facilitating refugee integration in this way will greatly reduce the adverse effects that large refugee waves can have on developing markets, such as excess strain on societal cohesion and exhaustion of local resources.

IGC-funded data collection:

We are requesting IGC funding to implement the baseline skills survey and endline survey of refugee participants in the work permit scheme. The baseline skills survey will cost GBP XX to survey refugees in two refugee camps in XXX and XXX. The endline survey will cost GBP XX to survey the 5,000 refugees that participate in the work permit scheme. We will invite refugees to the field offices to complete these surveys. This will significantly reduce costs by eliminating the costs associated with surveyors traveling to different treatment towns and locating participating refugees. Costs are estimated based on conversations with XXX, a professional survey firm in XXX that implemented our previous project in this context. The subcontractor for this contract will be competitively procured with at least three quotes.

We have submitted an XXX grant application to fund the remaining implementation costs and endline survey of treatment and control towns, which total around GBP XX.

## IGC EVALUATION

This proposal addresses a critical and timely issue adopting a rigorous and robust research design to establish causality and study the impact of grant work permits to refugees.

## PROPOSAL STRUCTURE

The proposal is reasonably clear in its presentation of the research question and approach and follows a logical structure, moving from the project summary to the research question, research design, and funding request. Some of the strengths of the proposal in terms of its structure are outlined below:

1. **Clear introduction:** The introduction provides context for the research, explaining the significance of the issue of refugee work permits and its potential impact. This helps orient the reader.
2. **Logical flow:** The proposal generally follows a logical flow, progressing from the problem statement to the research design and funding request.
3. **Research question:** The research question is stated clearly and concisely framing the study for readers.
4. **Explanation of research design:** The proposal provides a detailed description of the research design, explaining the randomization process, the roles of various stakeholders, and the methodology used.

## RESEARCH DESIGN

Some of the strengths of the research design are outlined below:

1. **Collaboration with local authorities:** Collaborating with the Country X government gives the study credibility and aligns with existing policy efforts, ensuring feasibility.
2. **Targeted focus:** The research addresses a critical and timely issue, as refugee populations worldwide face restrictions on their right to work. The study's focus on understanding the direct and indirect impacts of granting work permits is relevant and has policy implications.
3. **Thorough methodological approach:** The RCT design is rigorous. By randomly allocating work permits to refugees and control groups, the study can confidently attribute observed outcomes to the policy intervention.
4. **Randomisation strategy:** The proposal outlines a comprehensive randomization strategy at multiple levels, including the selection of refugees, towns, and specific occupations within towns. This design allows for a nuanced examination of different effects.
5. **Consideration of supply and demand effects:** Separating supply and demand effects in the research design is a valuable aspect. It enables the study to assess how refugees entering the labour force impact both job availability and demand for goods and services, providing a more holistic understanding.
6. **Location-specific work permits:** The use of location-specific work permits is a thoughtful approach to managing the resettlement of refugees. It helps ensure the safety and integration of refugees into host communities while addressing government concerns about uneven distribution.
7. **Consideration for external validity:** By choosing Country X, a low-income country, the study is positioned to provide results that can potentially be generalized to a majority of refugee situations worldwide.
8. **Baseline & endline surveys:** These will allow for a comparative assessment of the effects of work permits on refugees, ensuring a before-and-after comparison.
9. **Cost-efficiency:** Inviting refugees to field offices to complete surveys will likely reduce logistical challenges and associated costs,

## AREAS FOR IMPROVEMENT

While the proposal has several strengths, including its rigorous approach and consideration for the well-being of refugees, there can be potential challenges related to implementation complexity and external factors. Some areas of improvement in the research design are:

1. **Potential relocation concerns:** The study necessitates refugees to move away from camps to specific host communities, which might introduce unexpected social or economic challenges. Ethical considerations related to the potential hardships of such relocations should be addressed in detail.

2. **Implementation complexity:** The multi-level randomization, especially involving towns and occupations, might introduce complexities during execution. It might be hard to ensure that refugees stick to the stipulated occupations and locations.
3. **Selection bias:** Since the study will survey only interested and eligible refugees, this could introduce a selection bias. Refugees who volunteer might inherently be more motivated or resourceful than those who do not.
4. **Power calculations:** The proposal mentions initial power calculations, but detailed statistics backing the sample size and expected detectable effect might be beneficial for a full understanding of the study's potential significance.
5. **Long-term effects:** The proposal seems to focus on short-term impacts. Incorporating mechanisms to study longer-term effects could enrich the outcomes and understanding of integration over time.
6. **Dependency on additional funding:** The research is contingent upon acquiring funding from other sources. A contingency plan or phased approach might be valuable if full funding isn't secured.
7. **Risk assessment:** There might be external factors (like political events, economic downturns, etc.) influencing the outcomes that are not accounted for. Identifying potential challenges and risks associated with the research and outlines mitigation strategies would be valuable.

The research proposal is ambitious and presents a comprehensive RCT design that could provide valuable insights into the effects of work permits for refugees. The research design is promising, with strengths including the use of an RCT, targeted focus, and thoughtful considerations. However, it could benefit by addressing the concerns outlined above as enhancing these aspects would strengthen the overall quality of the research design.