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The Economics of Refugees: How Refugees Influence the Economies of Spain and England

Mary K. Bovard '17, Gettysburg College

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Abstract

The economic impact of refugee movements is a topic disputed throughout the world, but even more highly disputed in the European Union. In this last Syrian refugee movement, we have heard many different interpretations of how the movement would affect the European economy. Whether based on factual data or speculation, this paper aims to unpack several of the main economic arguments for and against the movement of refugees into European countries, particularly Spain and England. This paper argues that the perceived economic impacts of the refugee movement in Europe does not match the measured economic impacts.

Keywords

Refugee, Economy, Spain

Disciplines

Comparative Politics | Economics | Growth and Development | Macroeconomics

Comments

Written as a Senior Honors Thesis in Globalization Studies.

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The Economics of Refugees: How Refugees Influence the Economies of Spain and England
Globalization Studies Senior Capstone
Professor A. Kaempfer
By: Katie Bovard

I. Introduction

The movement of refugees across borders to escape countries in turmoil is a crisis that has been widely debated throughout our modern history. Most recently, we have seen millions of refugees – mainly from Syria – attempt to flee their homes in search of asylum in safer places. This massive movement of refugees and asylum seekers has created a global crisis as countries around the world work to support these refugees flowing through their borders. Throughout this process, one of the main arguments in considering the admittance of these people has been an economic one. On both sides of the crisis we have arguments and perspectives for or against welcoming refugees, when the actual economics of allowing these individuals remains unclear.

Looking at the economic data from the International Monetary Fund's 2016 report *The Refugee Surge in Europe: Economic Challenges*, this paper compares it to numerous sources providing individually perceived economic ramifications of refugees, specifically from the perspective of Spain and the United Kingdom (UK). This paper argues that the perceived economic repercussions of refugees do not match the true economic impacts of refugees in these two countries. By observing the economic effects on Europe as a whole to compare to the particular influences on Spain and the UK, the economic impact of refugees – specifically refugees from Syria – in these countries are minimal, and the perceived effect of refugees does not align with the actual economic impacts.

II. Context of the Refugee Crisis

To best understand the movement and inevitable economic ramifications of refugees in Spain and the UK, it helps to understand their story as refugees. In the spring of 2011, Syria joined into what became known as the Arab Spring, a protest movement across several Middle Eastern countries for freedom from oppressive governments. Assad responded to the

demonstrations with violence, leading to a four and a half year civil war that has led to the displacement of millions of Syrians. (Rodgers, Gritten, Offer, Asare; 2016). The civil war has generated unimaginable crimes against humanity, and as a result record numbers of Syrian citizens have attempted to flee the country. Not only does the conflict include pro-Assad and rebel groups, but also rouge groups such as Kurdish groups in the north and Islamic State terrorist groups throughout the country. (Rodgers et.al, 2016). There is constant fighting for control of key territories, but there are also horrendous war crimes being committed by all sides. The main group being affected is civilians, who have experienced increased levels of poverty as almost 3 million people have lost their jobs, 8.7 million are struggling with food security, and 2.4 million people lack adequate shelter. (Shoham, 2015). Beyond the economic impacts of the Syrian Civil War, civilians have experienced unimaginable war crimes that have led to a humanitarian crisis in the country. Chemical weapons, torture, kidnapping, and death have all been used by each group in the war thus far. (Rodgers et.al, 2016). The difficult reality of this civil war has fueled the mass movement of Syrian refugees to neighboring countries as well as destinations farther away to seek asylum.

III. Refugees vs. Economic Migrants and the Effect on Perceived Economic Impact

As we consider the Syrian citizens fleeing their home country, we must also consider how these individuals are defined as they attempt to enter different nation states. By most accounts, these individuals would be considered refugees. In the international community, many individuals consider them refugees, however they are not always defined as such. (Connor, 2016). Some are considered economic migrants, some asylum seekers, and the distinction between titles holds weight as they mean different things for individuals attempting to cross nation state borders. According to the Merriam-Webster dictionary, a refugee is “a person who flees a foreign country or power to escape danger or persecution.” Asylum seekers, a common way European governments refer to refugees, are then

individuals seeking to enter a country on the grounds that they are being prosecuted in their native country. Economic migrants are simply individuals attempting to move from one nation state to another, often to find work. (Salehyan, 2008). Refugees go through a unique process to enter a country, as do asylum seekers and migrants. Refugees in Spain are offered rights such as an identity card, social service benefits, social integration programs, etc. (Rodriguez-Ferrand, 2016). Asylum seekers are not offered the same benefits as refugees, and economic migrants are offered even less. These distinctions are key in understanding how the economy is impacted by the movement of these individuals, as they lead to different economic outcomes.

The distinction between refugees and economic migrants is important when thinking about the perspectives of the citizens whose country is welcoming them in. Looking specifically at Spanish and British perspectives on the current refugee crisis, there seems to be a where where the terms 'refugee' and 'migrant' are thought to be used interchangeably, which is not the case. In thinking about these two distinct groups of people, perceptions are skewed and not reflective of the realities of the situation. Migrants and refugees come from completely different life experiences, and often those experiences are carried with them as they move. Migrants, though they may come from bad situations, are not forced out of their homes. They are voluntarily leaving, whereas refugees are not. Refugees are leaving because they have no other choice, they are leaving to escape the dangers of their home country. This distinction influences the economic needs/abilities of each group. While migrants often arrive looking for employment, refugees often arrive looking for help. Kalena Cortes finds that compared to migrants, refugees earn 6% less and work 14% fewer hours when they first come to a new country. (Cortes, 2004). In considering the different perspectives on refugees, it's important to keep in mind the distinct definitions of the groups, and the subsequent economic impacts associated with that title.

The Pew Research Center conducted a number of surveys throughout the European Union (EU) states on the population's perspectives on refugees. The findings they produced were surprising, though not entirely unexpected. In Spain, they found that 75% of the population disagreed with how the EU was handling the refugee crisis. In the UK, 70% of the population disagreed. (Connor, 2016). In a separate publication also conducted by the Pew Research Center, when surveyed on their worry that refugees would lead to increased acts of terrorism, 40% of Spain's population and 52% of the UK's population expressed concerns for the safety of their countries. Another survey on the worry that refugees would be an economic burden by taking jobs and social benefits found that 40% of Spanish and 46% of UK citizens expressed concerns. (Wike, Stokes, and Simmons, 2016). These statistics show the perceived fear associated with refugees, not only in terms of economic worries but also for security. Additionally, other surveys find that those opposed to allowing refugees through their borders worry about the competition for jobs, refugees dragging down wages, and increased state spending on social benefits to aid refugees. (*The Economist*, 2016).

On the other side of the argument are those who support allowing refugees into the country. In Spain, there have been protests across the country urging the government to take in more refugees. (Anderson, 2016). Citizens protest the government's inability to follow through on promised refugee allowances, particularly in Spain's north eastern region of Cataluña. (*BBC News*, 2017). These protests demonstrate a position that appeals to the morality of the refugee crisis, and makes the argument that supporting refugees economically is the moral option. These feelings expressed by the people of Spain have led to some movement from the Spanish government towards allowing more people, however the actions have yet to be followed through by the state.

There is a similar argument expressed in the UK by citizens dissatisfied with the government's reaction to refugees, especially given the Brexit vote outcome. A predominant

concern when the citizens of the UK voted ‘yes’ to Brexit, or the decision of the UK to leave the European Union, was the expected increase in refugee inflow from other EU states due to their membership in the EU. Led predominantly by charities and refugee aid organizations, the dissent in the UK makes a similar argument to that of Spanish citizens by appealing to the morality of helping these people escape the injustices of their home country. Sources such as the *Independent* highlight statistics and argue the inadequacy of the UK’s contributions in accepting refugees. They call for the admittance of greater numbers of people based on it being the “right” thing to do. (Lambert, 2016). These perceptions of refugees, though not necessarily economically focused, do influence the economic outcomes brought on by this influx of people.

IV. Economic Impact of Refugees

This paper examines the statistically-backed economic outcomes of refugees by looking at a 2016 report produced by the International Monetary Fund (IMF) entitled “The Refugee Surge in Europe: Economic Challenges”. This report is the result of the collection and analysis of research done throughout the Europe Union (EU) on the surge of refugees into the continent, as well as a look at how this refugee movement compares to refugee movements of the past. Using information gathered in individual member states as well as IMF-level research, this piece examines the short-, medium-, and long-term economic effects of the refugee influx. Using data from both past and present refugee movements in the EUROMOD model, this reports simulates the medium- and long-term economic impact of refugees based on a variety of different control factors. Those control factors include policy development for and against the integration of refugees into the domestic labor market, the increase in population size due to these refugees, and the amount of government expenditure on these individuals. Furthermore, the report identifies three main effects on the employment and wage rates immigrants have on native wages, providing the opportunity to synthesize

impact given the refugee experience. It also provides commentary on possible economic policy initiatives that could be put in place to counteract the negative economic costs associated with refugee migration. The conclusions generated through this report help to demonstrate how variable the economic impacts of refugees are in a given country.

Short-Term Impact

On the short-term macroeconomic scale, the preliminary impact of refugees on the EU is one to aggregate demand. Aggregate demand in this sense refers to all demand for final goods and services in an economy, or goods that are fully manufactured and ready for sale to consumers. The increase to public spending on provisions for welcoming these individuals into the country as well as for support services increase the demand of these goods and services right away. Support services include sectors such as housing, food, healthcare, and education as main areas where aggregate demand increases. (Aiyar et.al, 2016). As time progresses, other short-term impacts are found. The short-term cost of admitting these asylum seeking refugees is dramatic in some EU member states. The IMF findings indicate that the average cost based on percentage of GDP in EU member states could increase by 0.05 and 0.1 percent of GDP in 2015 and 2016. (Aiyar et.al, 2016). Although these numbers are highly variable based on the number of asylum seekers allowed in by individual member states, this percentage change indicates a significant influence on budgeted spending based on GDP. What's more, refugee-related costs continue to emerge as greater masses of refugees apply for entry in EU member states. In addition to individual state burdens brought on by the costs of refugees, a small part of the initial fiscal cost is absorbed through the EU budget, as the European Commission (EC) has reallocated funds to boost the refugee budget. In 2015, the EC adjusted the refugee budget from €1.7 billion to be €2 billion. (Aiyar et.al, 2016).

The market expansion associated with the increase in aggregate demand will help minimize the likely negative strain on wages and inflation that will gradually build from the

introduction of refugees into the employment market. With effective monetary policy as refugees integrate into the domestic labor markets, the increased supply of labor will help to balance out the increase in aggregate demand as refugee intake numbers continue to grow. As the process of market integration is very gradual, especially for refugees, the impact on wage and inflation rates could be avoided in the short-term. In Turkey, where the largest number of Syrian refugees have been sheltered since the start of the civil war, there are several labor market-related impacts in the short-term that have the potential to ensue in the EU. Before being integrated into the formal labor market, refugees find work in the informal sector, taking jobs mostly from low-educated and female workers in the agriculture sector. As a result, higher-paid formal jobs have been taken by natives, which has led to an increase in wages for native-born citizens. (Aiyar et.al, 2016). Because of the limited labor market integration allowed to refugees in most EU member states, jobs in the informal sector are likely to be filled by refugees in the short-term. Therefore, wage and inflation rates are more likely to be impacted in the medium-term than the short-term.

Simulated Model

In order to assess the medium-term macroeconomic outcome of refugees, the IMF report utilized the EUROMOD model to develop a simulation to demonstrate economic impacts of refugees given several control factors. The EUROMOD model is derived from the Flexible System of Global Models (FSGM) on the global economy. It was developed by the IMF and is a semi-structural model that only includes one type of labor, so the differences in productivity between refugees and native workers are not accounted for. (Aiyar et.al, 2016). This simulation operates under assumed conditions of the EU and the refugee movement, namely that the population of the EU will increase by 0.15% in 2015-17, with 0.1% increases in later years. It also assumes a two year refugee integration period before entry into the labor market, with refugees showing lower participation rates (on entry, refugees will participate 5

percentage points (PP) less than natives, 3 PPs after 2020) and higher unemployment rates than natives (refugees will initially have 15 PPs higher unemployment than natives, and 12 PPs after 2020). (Aiyar et.al, 2016). During that two year integration period, the model assumes fiscal costs for refugees will be maintained.

According to the simulation, the preliminary effects of the refugee movement leads to a small but positive GDP growth. The significance of the growth varies from country to country depending on the influx of refugees compared to population size, and is dependent on the fiscal spending impact on aggregate demand. The significance of this is that the spending on refugee aid is high enough that the demand of service-oriented goods increases overall levels of demand in the member state. Even though the majority of the spending on refugee aid is done through public funds, and therefore is government spending, the increases in demand will likely be greater than the use of government funds, creating a small but positive GDP boost. The increase in labor supply will also affect GDP, however this effect will not take place right away as refugees often require a few years to integrate into the labor market.

Medium-Term Impacts

The assumption that labor market integration is successfully implemented in a place significantly influences the medium-term economic impacts of refugees. With successful integration, medium-term economic impact leads to a significant increase in GDP in the EU. Also, successful integration shows a large employment gap between refugees and natives – specifically with natives holding more jobs than refugees – lessening as time goes on and more refugees are integrated. Though in the medium-term the economic output of refugees is less than that of native workers, their contributions none the less influence the status of the economy. As working members of society, refugees begin to pay taxes and social security, covering those costs that were initially on the state. The simulation also examines an economic scenario where unsuccessful integration into labor markets takes place.

Unsuccessful integration would look like refugees lacking language skills and cultural adaptations, as well as the prevention of their presence in the labor market. In this scenario, refugees produced less economic output than in the successful integration scenario, which resulted in higher levels of government debt and higher unemployment levels.

Given the different outcomes of the simulated medium-term economic impacts of refugees, the speed of labor market integration is the main factor in determining the actual medium-term economic impact of refugees in the EU. The level of labor market output for refugees is dependent on several factors. Labor market output is primarily dependent on their ability to integrate into the labor market; however, even with successful integration, refugee performance on average is less than that of other economic migrants. (Cortes, 2004; Salehyan, 2008). Whereas refugees are forced to leave their home countries, economic migrants are individuals who choose to leave, usually to pursue employment opportunities in other countries. (Salehyan, 2008). Refugees face legal barriers to entry into the labor market, which affects their ability to integrate. Additionally, refugees have historically had on average lower participation rates, employment rates, and wage rates than both economic migrants and natives. (Aiyar et.al, 2016; Cortes, 2004). These rates are due to many factors, though can also correlate with the amount of time refugees spend in a host country. In other words, if they return to their country of origin or go to a different country for asylum, their total economic output will be less for the country they are leaving behind. Labor market output by refugees is also influenced by the education refugees receive both before and after they arrive to a host country. Refugees arriving from areas where people have higher education levels are more productive members of the economies they are integrated into, with the opposite holding true for those arriving from areas with lower levels of education. Education is also involved in language capabilities, as those who speak the language of their host country are more likely to be effectively integrated into the labor market. All of these

factors influence the rate of labor market integration, which in turn makes up how economically impactful refugees are in the medium-term.

Long-Term Impacts

Much like the medium-term, the long-term net fiscal impact of refugees is guided by their achievement in labor market integration. The impacts of labor market integration are more clearly seen in the long term, as the costs and/or contributions of refugees have been felt by the domestic economy. The net, or total on average, use of fiscal resources by natives is influenced by the net use of fiscal resources by refugees, as if they required more social resources from the state during their time in the host country, the amount of social resources budgeted to the native citizens would be less. In the short- and medium-term, asylum seekers require more aid in establishing themselves economically while in the long-term if they have been properly integrated into society they are at that point contributing to the taxes of the state as well as to the social security. If they haven't been successfully integrated, in the long-term their economic impact will be skewed negatively to account for the benefits they've used. In this way, the amount of welfare resources supplied to them throughout their refugee integration process also influences the long-term economic effect.

In "The Refugee Surge in Europe: Economic Challenges", an important finding on the long run economic influence of refugees is that given past refugee movements there is not a clear correlation between the number of individuals entering a country and their net fiscal impact. This is a surprising finding to consider, one that hints at the presence of other factors in influencing net fiscal balance of refugees. What was found to be a factor in the resulting economic impact of refugees was the age of the refugees who sought asylum. The fiscal impact of refugees change over their lifetimes, and so to determine net fiscal impact one must look at the age breakdown of the refugee movement in question. (Aiyar et.al, 2016). In this current wave of refugees, where a third come from Syria, the majority of the people seeking

asylum are of working age. Mostly comprised of women and children, while 4.5 million people have fled Syria there are still an estimated 6.5 million internally displaced. (Rodgers et.al, 2016). These millions of people of mostly working age positively affect the net impact of refugees, as they are able to fill jobs the aging population of the EU cannot. (Skeldon, 2013). The longer they are in a host country of working age, the more likely they are to have a positive net economic contribution to that country. (Aiyar et.al, 2016).

Also tying into the aging population of the EU, there is data to suggest that in the long run refugees have a tiny but positive effect on pension spending. Without the inflow of refugees into these EU member states, the aging population would likely lead to an increase in pension spending as a percentage of GDP. (Aiyar et.al, 2016). With the large movement of working age refugees into the EU, their implementation into the economies of these countries would help to cut down on healthcare and long-term care spending as well as limit the costs of pensions in the long run. Healthcare effects would likely be less significant than long-term care and pension effects, as refugees would begin utilizing healthcare options, however the result is still encouraging none the less.

A final long-term influence on the impact of refugees has to do with the economy of the country welcoming these refugees. Countries with weaker economies who accept refugees are less likely to be successful in efficient integration of these individuals into the labor markets, and so their long-term fiscal contributions to the economy will be less than those refugees who were quickly integrated into the domestic economy. This is significant in many European Union member states today, as there are economies that have yet to bounce back from the 2008 financial crisis, a world-wide economic decline in the housing and finance markets. The influence of the 2008 financial crisis and subsequent economic decline is especially concerning in countries with high unemployment rates, as those are the countries where the ability to facilitate successful refugee integration is severely impacted, in some

instances by years. (Aiyar et.al, 2016). Looking long-term, the difference in the amount of economic impact a few years can make when counting the net contributions of a working individual is considerable. Although surveys show that refugees on average tend to choose countries with low unemployment rates and better labor market prospects, long term net economic impacts can still be affected if they settle in a country experiencing economic hardships. (Aiyar et.al, 2016).

Concluding Results

Given the short-, medium- and long-term economic effects of refugees, the IMF 2016 report on “The Refugee Surge in Europe: Economic Challenges” offers three main avenues through which employment and wages of native workers are effected by the movement of refugees. These avenues are labor supply effect; aggregate demand effect; and allocation of resources, product mix and technology effect. These effects are found in terms of economic migrants, however by connecting them to the refugee experience the results show how refugees will impact an economy in terms of the native worker.

In the labor supply effect, which states that native workers will be impacted more by immigrants whose skill sets match theirs, tying that to the refugee experience changes its effect. In the short term, the majority of refugees are not allowed the opportunity to work, and those who are are given limited options for employment. (Cortes, 2004). However as refugees are integrated into the economy, the labor supply increases and strains the amount of jobs available. The aggregate demand effect, however, states that the initial increase in aggregate demand brought on by the influx of people will create labor demand as firms attempt to keep up with the demanded output. This investment into the production of goods creates the need for an increased labor supply in the medium- and long-term economy. (Aiyar et.al, 2016). The allocation of resources, product mix and technology effect explains this change in products demanded, as mass migration movements have the potential to change the normal

goods and services produced in an economy. This change may influence the economic trends of a country, effecting what goods and services are produced and therefore which skills/technical backgrounds are need to produce them. In terms of refugees, this effect likely draws on the need for aid in sectors like housing, healthcare options, and education. In looking at the differences of the refugee experience to those of economic migrants, there is clearly a difference in how these groups influence the employment and wages of native workers.

Through looking at the different economic impacts of refugees as well as how their experience influences the employment and wage levels of native workers, this IMF report offers policy suggestions that would influence the success of labor market integration and limit the negative impacts of refugees in the EU. With the implementation of policies that support the professional and cultural development of refugees, they are more likely to become effective and productive members of their host's economy in spite of their painful background. They offer four main policy recommendations: developing more flexible labor markets, specific integration programs, altering minimum wages temporarily for refugee workers, and offering wage subsidies to private sector employers of refugees.

The first policy suggestion of flexible labor markets refers to labor markets that operate with policies which strongly favor native workers over refugee workers. Those labor markets are difficult for refugees to break into, so by being more flexible in employment operations refugees have more readily available employment opportunities. Along those lines, in order to be employable, refugees must be equipped with the language and cultural skills to work effectively. Thoughtfully designed integration systems help refugees manage the adjustment to a new country as well as better prepare them to be contributing members of society. A third policy suggestion is to adjust the minimum wage for refugees could provide the incentive for employers in economies with high minimum wages to hire refugees which

in turn gives refugees the chance to earn money to support themselves as opposed to relying on the social benefits from the state. This policy would require specific timeframes to function fairly and effectively, but is a good option to increase the attractiveness of hiring refugee employees. Finally, if adjusting the minimum wage is not an option, another alternative could be to provide subsidies to companies that hire refugee employees, as that also makes them an attractive hire.

In concluding this report, Aiyar, et.al in “The Refugee Surge in Europe: Economic Challenges” unpack the main takeaways of the many statistical and surveyed economic results of refugees in the European Union. In the short term, there is a modest increase in the domestic aggregate demand which contributes to a slight increase in the overall GDP of the host country. GDP per capita, or the total output of a country divided by the population of the country, on the other hand will likely fall in the short term as a result of insubstantial labor market performance by refugees due mainly to the legal restrictions to entry they face. In understanding the short term economic impact of refugees, it is also important to not underestimate the weighty costs associated with a country’s fiscal inputs in terms of internal refugee aid as well as the intercommunal input into the European Union 1997 Stability and Growth Pact. This pact, signed by 16 EU member states, enforced the goal of maintaining the euro through proper fiscal policy. (*Investopedia*, 2010). The targets set forth in this pact serve as motivation for member states to achieve the expected economic benchmarks, goals which could impact a nation’s willingness to take in refugees due to their economic influence.

The findings of this report demonstrate disconnect between the perceived economic influence on refugees and the actual economic influence they have. While there are costs associated with refugees in terms of social benefits they receive upon entering a country, refugees also generate an increase in aggregate demand and consequential increase in GDP. The displacement effects on native workers are limited and often do not last long. This could

be due to low substitutability of jobs, or possibly because of the investment into sectors whose goods correspond with increases in aggregate demand. (Aiyar et.al, 2016). The best way to limit the negative economic effects of refugees, however, is through rapid integration of refugees into the domestic labor market. The economic benefits of integration include positive contributions to the output of goods and services, the ability of refugees to support themselves and not rely on social aid, and the giving back of revenue through taxes and social security. Creating policies that help assimilate refugees into the countries they fled to help them settle into those new spaces as well as helps them be better prepared to contribute in the economy. Through examining the refugee movements of the past and the current data we have on this most recent surge of refugees, Aiyar et.al. argue that encouraging integration is the most effective way to limit negative economic impact of refugees.

V. Economic Impact on Spain and the UK

After looking broadly at the economic effects of refugees on the European Union as a whole, exploring how refugees impact specific member states helps to further demonstrate the actual economic impact of refugees. This paper examines the economic effects of refugees in two specific EU member states: Spain and the United Kingdom (UK). Each of the two autonomous countries have unique and distinct refugee policies and strategies, as well as very different positions in terms of the strength of their economies. Whereas the UK has a strong domestic economy that is not tied to the euro, Spain is in an economic recession brought on by the 2008 financial crisis. These differences affect how the refugees impact the economic positions of those countries. What unites them is that neither country has admitted their expected quota of refugees into their countries. They each have admitted less than 5% of the total refugees flooding into Europe. (Bourgeois, Juchno, Bitoulas; 2016). These differences and similarities of Spain and the UK make them interesting case studies to observe the economic impact of refugees.

Turning first towards Spain, as previously mentioned the Spanish economy has faced significant struggles since the 2008 financial crisis. After the housing market bubble burst, the Spanish saw a huge decline in the productivity of their economy and a tremendous rise in the unemployment rate, particularly among the younger generation. Currently, Spain has an unemployment rate of 18.75%, with an even higher unemployment rate at nearly 50% for workers under 30 years of age. (Ferreira, 2017). This economic difficulty could explain why research suggests Spain is not a destination country for refugees in this most current movement, and perhaps why Spain has admitted so few refugees thus far. (Wike, Stokes, and Simmons; 2016).

Spain, along with the rest of the European Union, has seen sizable increases in the amount of asylum applicants over the past 3 years. While the EU experienced an average of 123% more applicants from 2014 to 2015, Spain alone saw a 167% jump in the number of first time applicants for asylum. (Bourgeois et.al, 2016). This is a notable jump in applications for asylum, however the numbers of admitted peoples do not match this percentage jump. While according to Eurostat at this point Spain has accepted around 14,600 refugees, that is a small percentage of the nearly 300,000 asylum applicants approved and an even smaller percentage of the millions of refugees denied asylum. (Anderson, 2016; *BBC News*, 2016). As of 2015, Spain housed 1.2% of the total number of refugees approved for asylum in terms of total number of refugees allowed in the European Union. (Bourgeois et.al, 2016). This number of people did yield some cost effect on the fiscal spending of the country, as in 2016 Spain spent 0.03% of its GDP on refugees, a 0.024% increase from the 2015 percentage fiscal cost of GDP. (Aiyar et.al, 2016). The Spanish government has agreed to admit more refugees in an attempt to fill their EU expected quota of refugees, we've seen little change in the numbers or policies for admitting these individuals.

This information signifies that in terms of the Spanish economy, refugees are having a relatively small effect. The few refugees admitted for asylum are costing very little in terms of spending as a percentage of GDP, suggesting that the overall impact of these individuals is limited in scope. It is also important to note that while some funds come directly from the domestic budget, the European Commission also has allocated support funds for countries who admit refugees, so that aid goes into funding the care of these refugees. (Aiyar et.al, 2016). In acknowledging the limited influence of refugees in Spain, the financial recession that Spain is experiencing is definitely a consideration while trying to explain why there are so few refugees being admitted/choosing Spain as a destination. Because refugees tend to prefer countries with more stable economic situations, they may be less inclined to settle in Spain. (Connor, 2016). There also could be a case to be made that the Spanish citizens, though many argue the morality for admitting more refugees, are more worried that refugees will invade the labor market and cause further strain on their economy.

The United Kingdom, alternatively, while boasting a strongly performing economy, has also reported low numbers of refugee admittance within their borders. One reason for this low rate of admittance comes after the country voted to leave the European Union in a famous referendum coined 'Brexit'. The Brexit vote for the United Kingdom to leave the EU demonstrated a call for more autonomy for Britain, though also was evidence of an unwillingness by British citizens to allow refugees into their borders. While they currently are in the process of removing themselves from the EU, the UK still has been influenced to a degree by the current refugee movement.

Compared to Spain's 167% increase in first time asylum applicants in 2014-2015, the UK only saw a 19% increase in the amount of asylum applicants during the same time frame. (Bourgeois et.al, 2016). They did, however, still have triple the applicants compared to Spain. Of those who applied for first time asylum, only 37% were initially presented entry to the

country. These refugees allowed entry represent 3.1% of the total refugees admitted throughout the European Union, or 591 refugees per one million inhabitants in 2015. (Bourgeais et.al, 2016). While data is not available for the 2016 fiscal impact of refugees in the UK, IMF-collected data shows that from 2014 to 2015 the fiscal costs associated with refugees rose from 0.015% to 0.016% of GDP, respectively. (Aiyar et.al, 2016). This expenditure on refugees is very limited, as is obvious when looking at the limited benefits refugees receive from the British government upon arrival. (Aiyar et.al, 2016; Feikert-Ahalt, 2016). What is more, when establishing the EU membership refugee quotas of 2015, the UK opted out of being included in the resettlement of refugees from the countries first receiving them – predominantly Greece and Italy. (*BBC News*, 2016).

The United Kingdom has allowed access to significantly fewer refugees than other European countries of comparable economic status. Though not a top destination for refugees, the UK is none the less somewhat of a destination country, and yet the economic effect of refugees is minimal. The fiscal cost in terms of percentage of GDP is not a significant amount considering the strong position of the British economy. Also, by voting ‘yes’ in Brexit, refugee impact will continue to be limited as the UK has more autonomy over the policies they enact in regards to the refugee movement. In fact, the British government published a report in April of 2017 stating their intent to integrate 20,000 refugees into their borders in the next five years, a number lacking in comparison to other powerful European countries such as Germany or France. They’ve also committed £2.46 billion in aid to Syrian refugees in countries neighboring Syria, a move that sends help to Syrian refugees in a different way than integration would. (McGuinness, 2017). These policies offer a different approach to the refugee crisis, where aid is distributed monetarily to the countries surrounding Syria, countries who have been bearing the largest burden of refugees, not only

in the economic sense but also in terms of the number of refugees they're seeing. The policies do not, however, demonstrate sizable negative influences of refugees on the British economy.

VI. Concluding Remarks

The questioned economic impact of refugees in Europe but more specifically Spain and the UK is a point of contention in today's world. Citizens of Spain and the UK have perceived beliefs of what the admittance of refugees will do for their economies, though those perceptions are often times not factually based and sometimes based more on fear of the other than on logic. This paper examined those perspectives against the found economic impacts of refugees in the International Monetary Fund's 2016 report on "The Refugee Surge in Europe: Economic Challenges". This report operates based on data collected by the IMF which examines the short-, medium- and long-term effects of refugees in EU member states. These findings demonstrate that while there are significant costs associated with the approval of asylum applications by refugees, there are also positive economic results. While growth in service-oriented sectors and sectors that contribute to the output of housing, food, education, and healthcare could possibly diminish growth in other sectors of their economies, this new growth stimulated by increase in aggregate demand creates a small but positive boost to the domestic GDP of the country. The report's findings on the medium- and long-term effects of refugees were thought to vary based on the labor market integration of refugees, a successful integration leading to minimal net economic costs associated with refugees in the long run.

The report offered one possible avenue to diminish the negative economic impact associated with refugees, an avenue that has sound logic and is manageable to implement. Though there are likely many avenues to deal with the influx of refugees in Europe, this strategy if implemented effectively could yield surprisingly positive economic outputs from these refugees. Labor market integration would be a tedious process, as many of the refugees fleeing to Europe have experienced horribly traumatic events they're escaping. As tedious as

it would be, in terms of the simulated economic yield associated with rapidly integrating them into the economy, this system is a strong option for managing the economic effects of refugees. Refugees have had a difficult life, and to have policy strategies established which help them assimilate and contribute positively to their new society as they attempt to rebuild their lives is the best economic situation they could be in.

This paper answers the question of what are the economic impacts of refugees in Spain and the UK, and goes further still to examine how different scenarios regarding labor market integration affect the economies of these countries. While these countries experience limited economic impacts from refugees compared to other European countries welcoming greater numbers of refugees through their borders, there are none the less still impacts from the current refugee crisis. Labor market integration is a key component to reducing negative impacts of refugees, and in the long run can reverse the net participation of refugees to be effective economic contributors in society. While we don't yet know how far the reach of refugees will span over the economies of the world, this paper argues that given what we do know to be the economic effects of refugees in the short term, economic policies must be adopted to combat possible negative medium- and long-term impacts. The successful integration of refugees is the clearest and historically most effective way to manage the economic consequence of refugees.

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