

UNWANTED GUESTS: THE IMPACT OF IRAQI REFUGEES
ON JORDAN'S ECONOMY

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ABSTRACT

UNWANTED GUESTS: THE IMPACT OF IRAQI REFUGEES ON JORDAN'S ECONOMY, by Joshua G. Glonek, 102 pages.

As a byproduct of the war in Iraq, half a million displaced Iraqis migrated to neighboring Jordan. What impact did these refugees have on Jordan's economy? A dominant narrative shared by the international community generally assumes that refugees impose great costs on hosting nations. Despite an abundance of anecdotal claims that the Iraqi refugees were a massive burden on Jordan's economy, there is a lack of empirical evidence to support this assertion. Using a quasi-experimental research design that exploits the variation in refugee presence across Jordan, I find that although the Iraqi refugees had a small negative impact across a number of economic measures, the commonly held criticisms are far overstated. Furthermore, I argue that some of the policies Jordan implemented to mitigate the effect of the refugees were counterproductive, eliminating some potentially positive impacts. The results of this study add to a growing body of evidence that shows how local integration refugee policies can be of benefit to both the refugees and the hosting nations.

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ACRONYMS

HEIS	Household Expenditure and Income Survey
JLMP	Jordan Labor Market Panel Survey
UNHCR	United Nations High Commissioner for Refugees

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CHAPTER 1

INTRODUCTION

Refugees as Catalysts of Conflict

As a byproduct of armed conflict around the world, millions of people have been displaced from their homes and subjected to forced migration across international borders where they become refugees. Military forces frequently interact with displaced persons on the battlefield and often commit resources to assist in their care and protection. Recent wars in Iraq, Afghanistan, Sudan, and the Democratic Republic of the Congo, among others, have led to the migration of large populations into neighboring states. In most refugee situations the potential for conflict to spill over into neighboring countries is high, particularly in underdeveloped regions of the world. A wide body of research has argued that refugee migrations can exacerbate conflict by provoking hostilities both within and between states.¹ When this occurs, states become less secure and regional instability is increased.

There are numerous explanations that describe how refugees contribute to the extension of violence. Some are political in nature, arguing that refugees sometimes make up exiled groups that are willing to fight to achieve their aggressive goals, which often

¹See, for instance, Idean Salehyan, "The Externalities of Civil Strife: Refugees as a Source of International Conflict," *American Journal of Political Science* 52, no. 4 (2008): 787-801; Jeff Crisp, "A State of Insecurity: The Political Economy of Violence in Kenya's Refugee Camps," *African Affairs* 99 (2000): 601-32; Sarah Lischer, "Collateral Damage: Humanitarian Assistance as a Cause of Conflict," *International Security* 28, no. 1 (2003): 79-109; Adrian Martin, "Environmental Conflict between Refugee and Host Communities," *Journal of Peace Research* 42, no. 3 (2005): 329-346; Idean Salehyan and Kristian Gleditsch, "Refugees and the Spread of Civil War," *International Organization* 60, no. 2 (2006): 335-366; Myron Weiner, "Security, Stability, and International Migration," *International Security* 17, no. 3 (1992-1993): 91-126.

include a radical change in the government of the sending state.² In other cases, refugees who have experienced persecution create politically cohesive groups that lend themselves to military activity.³ Economic explanations argue that competition over scarce resources arises between refugees and locals. Due to a lack of opportunity for refugees in camps, this competition often escalates into armed conflict, as the refugees' opportunity cost of engaging in violence is relatively low.⁴ Humanitarian assistance is frequently used as a way to alleviate some of these problems; however, the system in which relief agencies operate is wrought with unintended consequences and the relief efforts often exacerbate the conflict.⁵ Other explanations of refugee causes of violence focus on how the refugees' identities can lead to conflict. Militant organizations, who often take sanctuary in refugee camps, exploit the frequent lawlessness inside the camps by engendering a message of purpose and belonging among those who join the rebels.⁶ Ethnic differences between refugees and other groups are another commonly cited contributor to the violence.

Militant organizations often use refugee populations as a base of support from which to conduct attacks. This creates tremendous difficulty for military and security forces who attempt to deny these groups a sanctuary. As militant groups traverse back and forth across state lines, nations must expend additional resources policing their

²Sarah Lischer, *Dangerous Sanctuaries: Refugee Camps, Civil War, and the Dilemmas of Humanitarian Aid* (Ithaca, NY: Cornell University Press, 2005), 24.

³Ibid.

⁴Salehyan and Gleditsch, "Refugees and the Spread of Civil War," 342.

⁵Lischer, "Collateral Damage," 82.

⁶Salehyan, "The Externalities of Civil Strife," 791.

borders. The inability to completely control access into and out of the state prolongs conflict as security forces are often unwilling to pursue their opponents across national borders because of a reluctance to violate their neighbor's sovereignty. When states do decide to conduct cross-border attacks, refugee-hosting nations become exposed to undesired conflict and the risk of international war grows. This was the case during the 1994-96 refugee conflict in the eastern Congo (then Zaire), where militant leaders established training bases adjacent to the Rwandan Hutu refugee camps, stockpiling weapons and recruiting and training refugee fighters to conduct cross-border attacks against the Tutsi-led regime in Rwanda.⁷ Because refugees are often isolated in remote parts of the host country where state control is sometimes absent, it is easy for militant leaders to gain access to the refugees. For the fighters who wish to perpetuate these cross-border raids, refugee camps provide a shield against attack, a pool of recruits, and a valuable source for food and medicine.⁸

To mitigate many of these problems, states must facilitate an environment that separates the refugees from the potential sources of violence. This has proven difficult to accomplish because many refugee-receiving nations have been reluctant to explore alternative refugee policies. Rather than develop long-term solutions to refugee problems, most policies are devised as a short-term fix to care for the refugees until the conflict ceases and they can return to their home countries. The United Nations High Commissioner for Refugees (UNHCR), the leading refugee agency in the world, proposes repatriation as their main goal. Although this goal is laudable, it is often

⁷Lischer, *Dangerous Sanctuaries*, 1.

⁸Ibid., 2.

unrealistic. Most of the major refugee situations in recent history have come as a result of protracted conflicts where refugees have lived in host countries for over ten years.⁹ This often makes the refugee population vulnerable to militant and criminal elements for an extended period of time.

Local Integration

While many state refugee policies are based on the idea that it is easiest to control refugees by placing them in camps, some nations have pursued a different course in handling refugees. Instead of housing refugees in camps, a policy of local integration has been implemented where refugees have been allowed to settle amongst existing communities.¹⁰ The strategy of local integration has been promoted as a durable solution by the UNHCR. This process of local integration refers to the granting of full and permanent asylum, membership, and residency status by the host government.¹¹ Refugees who are locally integrated have the right to own property, seek employment, obtain education, and fall under the protection of the host nation.

If the commonly stated mechanisms that describe how refugee populations contribute to local or regional conflict are correct, then facilitating the settlement of refugees among existing communities may, in some cases, assuage these forces. The

⁹Karen Jacobsen, “The Forgotten Solution: Local Integration for Refugees in Developing Countries” (Working Paper No. 45, New Issues in Refugee Research, July 2001), 1, <http://www.unhcr.org/3b7d24059.html> (accessed 17 January 2014).

¹⁰See Alexandra Fielden, “Local Integration: an Under-reported Solution to Protracted Refugee Situations” (Research Paper No. 158, June 2008), <http://www.unhcr.org/486cc99f2.html> (accessed 7 March 2014), for a discussion of numerous countries that have pursued local integration initiatives.

¹¹Jacobsen, “The Forgotten Solution,” 1.

political motivations for perpetuating violence can be reduced by providing refugee groups representation in local affairs. The economic incentives to join militant groups can be offset by the opportunity for refugees to seek employment and own property. The sway of identity based arguments are less influential when refugees are accepted into local communities. The dispersion of the refugee population can make it difficult for rebels to recruit large numbers of new fighters. The absence of camps can deny the armed groups a sanctuary from which to plan and conduct attacks.

Why then is local integration not more commonly practiced? Although it is not widely promoted, local integration is fully compatible with international law and contains historical precedent. Refugee law was first established at the 1951 Geneva Convention when twenty-six countries signed on to the United Nations Convention relating to the Status of Refugees which provided certain protections for refugees. Although local integration was not specifically mentioned in the Convention, Article 34 charges states with integrating refugees into their societies stating, “The Contracting States shall as far as possible facilitate the assimilation and naturalization of refugees. They shall in particular make every effort to expedite naturalization proceedings and to reduce as far as possible the charges and costs of such proceedings.”¹² Not only were the adopters of this agreement concerned with providing for the basic care of refugees, the language of Article 34 demonstrates a desire to find a long-term solution by naturalizing refugees into the host nation. More recently the UNHCR executive committee recognized the potential of local integration as an enduring solution. Conclusion No. 104 (LVI) published in 2005

¹²UNHCR, *Convention and Protocol Relating to the Status of Refugees* (Geneva: UN Refugee Agency, 2010), 30, <http://www.unhcr.org/3b66c2aa10.html> (accessed 2 November 2013).

recognizes the “positive contributions, including economic benefits, which refugees who integrate locally or who are allowed to become self-reliant could make to host countries and communities.”¹³ The committee also recognized that allowing refugees to integrate locally must be done in a way that protects the viability of the local communities affected by the presence of refugees in order to minimize any adverse effects. To do this, nations must understand the potential impacts that hosting refugees will have on their society.

It is this understanding of the effects that refugee populations have on host nations that is the primary reason why local integration is frequently rejected as a policy. The dominant narrative that exists among the international community is that refugees impose severe social, economic, and environmental costs on host nations. For example, the government of Tanzania, which hosts a significant refugee population, has stated, “the refugee problem seems to have no end . . . it is a threat to host governments—a reality which needs the appreciation of the world community.”¹⁴ Similarly, a Pakistani official stated that Afghan refugees had become a “back-breaking economic burden” that Pakistan should not have to bear alone.¹⁵ More recently, the Turkish government, dealing with a swell of Syrian refugees, demanded “the international community should not only provide assistance to foot the bill, but they need to step up and open their countries to

¹³UNHCR, “Conclusion on Local Integration,” UN Refugee Agency, no. 104 (LVI), October 2005, <http://www.unhcr.org/4357a91b2.html> (accessed 20 October 2013).

¹⁴Melissa Phillips, “The Role and Impact of Humanitarian Assets in Refugee-hosting Countries” (Working Paper No. 84, March 2003), 1, <http://www.unhcr.org/3e71f7fc4.html> (accessed 20 October 2103).

¹⁵“Pakistan: Afghan refugees an economic burden, official says,” *IRIN*, 14 November 2000, <http://www.irinnews.org/fr/report/17497/pakistan-afghan-refugees-an-economic-burden-official-says> (accessed 24 February 2014).

these refugees.”¹⁶ As a result of these common sentiments, many states believe that the best way to minimize the costs imposed by refugees is to house them in camps where the host nation can maximize its control over the refugees until they can either be repatriated to their native country or, much less frequently, resettled in a third country. While it is certainly the case that refugees do impose costs on host nations, it is not clear that long-term housing of refugees in camps is desirable to a policy of local integration. A considerable lack of empirical evidence prevents policymakers from truly understanding how the integration of refugees into local economies affects host nations.

Iraqi Refugees in Jordan

This paper seeks to help fill this void by analyzing the case of Iraqi refugees in Jordan. In 2006 after the onset of major sectarian violence in Iraq, upwards of 500,000 Iraqis crossed over the border into neighboring Jordan. Although Jordan did not adopt a formal policy of local integration towards Iraqi refugees, the Iraqis were initially welcomed into the country and were free to settle at their place of choosing. The vast majority of Iraqis took up residence in two main governorates, concentrated in urban areas in and around the capital city of Amman. Over the course of the next four years, despite a number of policy shifts by the Jordanian government, the size of the Iraqi refugee population remained relatively constant. The economic conditions in the country fluctuated, however, and the Iraqis were blamed for causing higher prices, greater

¹⁶Kevin Sullivan, “Turkey looks for international aid, and countries to host refugees, in Syrian crisis,” *Washington Post*, 15 May 2013, http://www.washingtonpost.com/world/middle_east/turkey-looks-for-international-aid-and-countries-to-host-refugees-in-syrian-crisis/2013/05/15/02c92392-bcb5-11e2-97d4-a479289a31f9_story.html (accessed 17 March 2014).

unemployment, and lower wages. Consistent with the dominant narrative, the Iraqi refugees were seen as imposing huge costs on Jordan's economy.

In this paper, I show that contrary to the popular perception espoused by the Jordanian government and accepted by the international community, the Iraqi refugees were not the sole or even the primary cause of Jordan's economic worsening. Although the refugees did partially contribute to the increases in prices and unemployment, along with a decrease in the wages of low-skilled workers, there were a number of other external factors that occurred concurrent with the presence of the Iraqis that had negative consequences for Jordan's economy. Furthermore, I argue that some of the policies Jordan implemented to mitigate the effect of the refugees were counterproductive, eliminating some potentially positive impacts. Government restrictions on the residency and employment of Iraqis limited their productive potential to the detriment of Jordan's economy.

Given that, in some cases, a strategy of local integration of refugees has the ability to mitigate many of the sources of conflict that arise when refugees are consolidated into camps awaiting repatriation, it is essential to understand how host nations fare under these policies. Local integration, which may be desirable under certain conditions, is rarely formally practiced because of the dominant narrative, which assumes that refugees who integrate with existing communities become a great burden on host nations. But, if this narrative is wrong, refugee policies in many instances may be suboptimal. Only through a thorough analysis of the cases where refugees have settled in local communities can their impacts be fully understood. The case of the Iraqi refugees in Jordan is one such instance where an understanding of the true effects of the refugees can

help hosting states, the international community, and refugee protection organizations better devise policies that are in the best interest of both the hosting nation and the refugee population.

Definitions

Local integration as a durable solution is best defined by the following three dimensions: first, it is a legal process, whereby refugees are granted a wide range of rights in the host state; second, it is an economic process of establishing sustainable livelihoods to attain a growing degree of self-reliance and achieve a standard of living comparable to the host community; third, it is a social process of adaptation and acceptance that enables the refugees to contribute to the social life of the host country and live without fear of discrimination.¹⁷ Local integration in its pure form was not practiced in Jordan. Different instances of local integration around the world grant refugees varying degrees of legal rights, economic opportunities, and social acceptance. As I discuss local integration throughout this paper, I am not only referring to cases that meet the strict definition, but also to instances where refugees have settled outside of camps and been given the opportunity to freely interact with the local population.

The 1951 Convention defines a refugee as any person who “owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group, or political opinion, is outside the country of his nationality and is unable, or owing to such fear, is unwilling to avail himself of the protection of that

¹⁷Jeff Crisp, “The Local Integration and Local Settlement of Refugees: A Conceptual and Historical Analysis” (Working Paper No. 102, April 2004), 1, <http://www.unhcr.org/407d3b762.html> (accessed 2 March 2014).

country.”¹⁸ Often times, large-scale influxes of persons into a state “on the basis of readily apparent, objective circumstances in the country of origin giving rise to exodus”, leads to a classification of *prima facie* refugees.¹⁹ This designation is meant to ensure that displaced persons are admitted to safety and protected from refoulement in the event that refugee status is not able to be determined on an individual basis. Throughout the course of this paper I use the term “refugee” to describe all Iraqis who entered Jordan during the time period analyzed.

Scope

The impact of refugees on host nations is wide-ranging and consists of social, political, economic, environmental, and cultural dimensions. While each of these aspects should be considered when formulating refugee policy, I restrict my analysis to the economic effects as they are often the primary argument used against local integration. Specifically, I assess the refugees’ impact on three main economic measures: inflation, wages, and the unemployment rate. The time period of my analysis spans from 2006, when the vast majority of refugees arrived, to 2010. I conclude my analysis in 2010 because in 2011 the Syrian Civil War began, resulting in its own refugee crisis, where Jordan once again became a hosting nation. Any analysis done after 2010 would potentially conflate the impact of the Iraqi refugees with that of the Syrian refugees.

¹⁸UNHCR, *Convention and Protocol Relating to the Status of Refugees*, 14.

¹⁹Bonaventure Rutinwa, “Prima Facie Status and Refugee Protection” (Working Paper No. 69, *New Issues in Refugee Research*, October 2002), 1, <http://www.unhcr.org/3db9636c4.pdf> (accessed 2 March 2014).

Each refugee situation is unique and the effects of local integration policies will vary depending on the specifics of each situation. The aim of this research is to estimate that impact of the Iraqi refugees on Jordan's economy. Other refugee situations that differ with respect to refugee and host population characteristics, as well as the condition of the host nation's economy, will produce varying results. Additionally, the results that I present should be interpreted as the impact of the refugees on Jordan's economy, conditional on the government policies that were enacted. Had these policies been more or less restrictive, the effects of the refugees would have been different. Although this research only provides an estimate of the impact of refugees in this one specific situation, the analysis of this case contributes to a better understanding of the implications of local integration refugee policies as they apply to other settings.

Conclusion

As violent conflict persists around the world, the number of refugees and internally displaced persons forced from their homes continues to grow. Figure 1 shows how the number of cases have increased considerably over the past several years, climbing to over 28 million in the year 2012. In response to this crisis, sound policies are needed to minimize the potential for conflict to spread as refugee populations migrate, as well as to mitigate the negative effects that refugees might have on their hosting nations. The next chapter will offer a review of the existing literature, revealing various interpretations of the effects that refugees have on host nations and showing the need for more empirical work in this area. Chapter 3 describes the data used and the methodology employed in the research. Chapter 4 discusses the findings of the study and demonstrates the inconsistencies of the dominant narrative that are revealed by my analysis. Chapter 5

describes the role that refugee-protection organizations play in influencing refugee policy, discusses the ongoing movement aimed at increasing the study of refugee effects on host nations, and outlines in more detail the policy implications of my research.

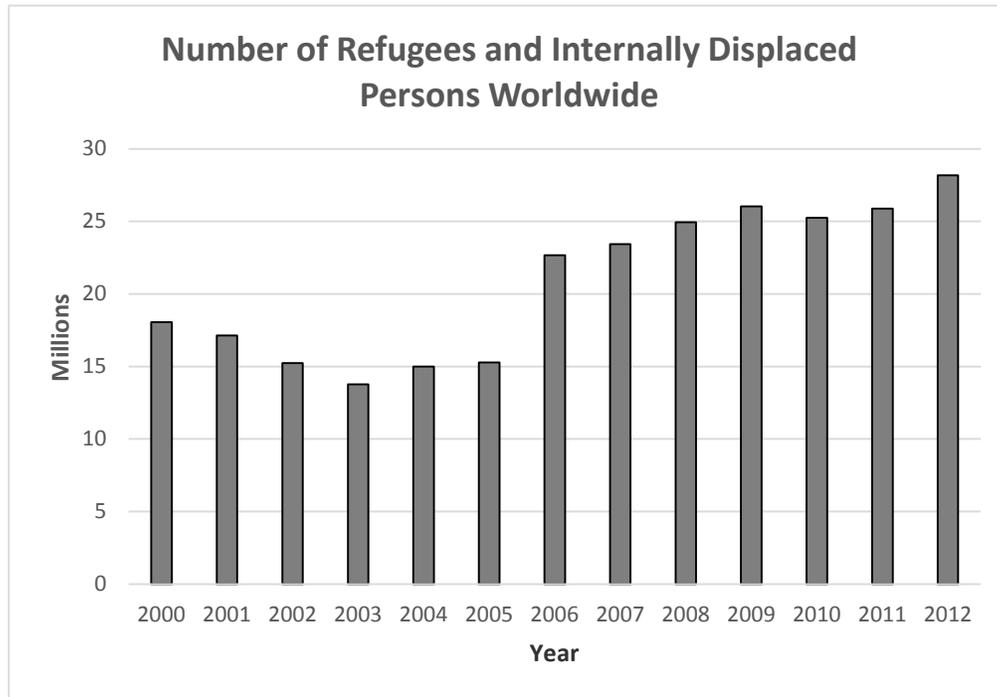


Figure 1. Number of Refugees and Internally Displaced Persons

Source: UNHCR, “Statistical Online Population Database,” <http://www.unhcr.org/pages/4a013eb06.html>, (accessed 22 October 2013).

CHAPTER 2

LITERATURE REVIEW

Over the past 20 years, a growing body of research has studied the impact of displaced populations on host nations. Due to its high concentration of forced displacement situations, sub-Saharan Africa has received much of the attention of researchers who study the effects of refugees on host populations. Although urban displacement has become more common around the world, most of this research focuses on forced displacement within rural areas. The sources of the literature that examine these cases include work from academics, practitioners, states, and intergovernmental- and non-governmental organizations. Although there are numerous conceptual analyses contained within this literature, relatively little work has drawn on empirical data to evaluate the social and economic impacts on host nations. Most of the research in this area is qualitative in nature and focuses on the experiences of refugees and the perceptions of local communities.

The work that examines the socio-economic effects of refugees on host nations contains mixed results. The following section outlines this literature which finds that refugees have both positive and negative impacts. Although my research is directed specifically at economic impacts, I include studies focused on other social aspects as well in order to supplement my analysis. In addition to this limited amount of work, I highlight some of the literature on immigration, which also looks to understand the effects of large-scale population migrations. An examination of these existing works will reveal that the socio-economic impacts of refugees on host nations are both theoretically

ambiguous and empirically debated, demonstrating the need for additional research in this area.

Studies that Estimate the Socio-Economic Impacts
of Refugees on Host Nations

The continent of Africa has experienced almost continuous conflict in recent history, resulting in numerous incidents of forced displacement. Kenya is one such nation that has found itself hosting a significant long-term refugee population. Research on Kenya's refugee camps in Mombasa shows that the inability of refugees to find legal employment drove many into informal sectors of the economy, adversely impacting legal Kenyan businesses.²⁰ Additional study of Kenya's Dadaab refugee camps finds that refugees who were willing to work for lower wages than locals, increased job competition and lowered native wages.²¹ Furthermore, conflict between locals and refugees occurred over grazing land and wood resources as the refugees contributed to the overuse of the limited natural resources surrounding the camps.²²

Other research has focused on how refugees affect the health and educational outcomes of the host nation population. One of the few empirical analyses on this topic examines the effects of hosting refugees on the outcomes of local children in Tanzania

²⁰Guglielmo Verdirame, "Human Rights and Refugees: The Case of Kenya," *Journal of Refugee Studies* 12, no. 1 (1999): 69.

²¹Marc Montclos and Peter Kagwanja, "Refugee Camps or Cities? The Socio-Economic Dynamics of the Dadaab and Kakuma Camps in Northern Kenya," *Journal of Refugee Studies* 13, no. 2 (2000): 218.

²²Peter Kirui and John Mwaruvie, "The Dilemma of Hosting Refugees: A Focus on the Insecurity in North-Eastern Kenya," *International Journal of Business and Social Science* 3, no. 8 (2012): 165.

following the Burundi and Rwandan genocides.²³ Due to the natural geographic barriers that exist in northwest Tanzania, the refugees concentrated in certain regions of the country. By exploiting this variation in refugee presence, the author finds that childhood exposure to the mass influx of refugees reduced height in early adulthood, educational attainment, and literacy. A second empirical study concludes that refugee influxes cause negative health effects on the local population, showing that the presence of refugees led to an increase in malaria incidence.²⁴ The authors estimate that for every 1,000 refugees that migrate to a country as a result of a civil-war, there is an increase of between 2,000 and 2,700 cases of malaria in the refugee-receiving nation.

In contrast to much of the literature that documents the harm that refugees impose on host nations, other works demonstrate the positive impacts that occur as a result of refugee influxes. Numerous such studies investigate the effects of refugee inflows from Burundi and Rwanda in 1993 and 1994 on host populations in western Tanzania. One study assesses the refugees' impact on food prices and household wealth in areas surrounding the refugees. The author finds that although there were increases in the prices of some food items, household assets generally increased leading to positive wealth effects on rural households located near the refugee camps.²⁵ A second study also

²³Javier Baez, "Civil Wars beyond their Borders: The Human Capital and Health Consequences of Hosting Refugees," *Journal of Development Economics* 96, no. 2 (2011): 391-408.

²⁴Jose Montalvo and Marta Reynal-Querol, "Fighting against Malaria: Prevent Wars while Waiting for the 'Miraculous' Vaccine," *Review of Economics and Statistics* 89, no. 1 (2007): 165-177.

²⁵Jennifer Alix-Garcia and David Saah, "The Effect of Refugee Inflows on Host Communities: Evidence from Tanzania," *World Bank Economic Review* 24, no. 1 (2010): 148-70.

finds that although prices rose in refugee-hosting areas, most local hosts did not suffer from the refugee presence.²⁶ While some agricultural workers were adversely impacted by increased competition in the labor market, non-agricultural workers and self-employed farmers benefited from the increase in labor supply and saw positive net-benefits as a result of the refugees' presence. A third paper explores an additional mechanism through which local populations can benefit from the refugees' presence, showing how infrastructure improvements and aid brought by humanitarian organizations is spread throughout local communities.²⁷ The UNHCR has also documented how local governments and communities in Tanzania have seen increased levels of government and bilateral donor support aimed at the development of local infrastructure, roads, transport and communications, water supplies, schools, and health care.²⁸ Additionally, the increased demand for various goods and services enabled local businesses and farmers to increase and diversify their outputs, as well as provided considerable employment opportunities for Tanzanian nationals.

Other literature reveals that the effects that refugees have on host nations are distributed unevenly across the local population. One study that assesses the differential

²⁶Jean-Francois Maystadt and Philip Verwimp, "Winners and Losers Among a Refugee-Hosting Population" (Households in Conflict Network Working Paper No. 60 May 2009).

²⁷Loren Landau, "The Humanitarian Hangover: Transnationalization of Governmental Practice in Tanzania's Refugee-Populated Areas," *Refugee Survey Quarterly* 21, no. 1 (2002): 260-299.

²⁸UNHCR, "Economic and Social Impact of Refugee Populations on Host Developing Countries as well as other Countries," Executive Committee of the High Commissioner's Program, February 2004, <http://www.unhcr.org/403dcdc64.html> (accessed 3 November 2013).

impact by levels of wealth shows that in rural refugee-affected areas, the better-off and more visible hosts usually gain from the presence of refugees and from refugee programs.²⁹ Other research finds that hosts who already had access to resources, education, or power were better poised to benefit from the refugee presence, while those who were already disadvantaged in the local socio-economic structure became even further marginalized.³⁰ Generally, business and capital owners have the potential to profit from the refugees' consumption of goods and services in the local economy, which increases demand and drives up profits. In contrast, poorer hosts can lose from competition for food, work, wages, services, and common property resources as a result of the refugees' presence.

Review of Immigration Literature

One area of research that does not focus specifically on refugees but investigates a similar phenomenon is the study of the effects of immigrant inflows on local populations. This area of study has produced a wide body of literature with varying results. Similar to an influx of refugees, large-scale immigration has the potential to affect economic conditions. But, unlike most refugee situations, immigrants are able to select where they settle and are generally not forced to leave their homes. Because they have greater freedom in choosing the location to which they settle, immigrants should only choose to

²⁹Robert Chambers, "Hidden Losers? The Impact of Rural Refugees and Refugee Programs on Poorer Hosts," *International Migration Review* 20, no. 2 (1986): 245-263.

³⁰Beth Whitaker, "Refugees in Western Tanzania: The Distribution of Burdens and Benefits Among Local Hosts," *Journal of Refugee Studies* 15, no. 4 (2002): 355.

leave their home country if they expect to become better off as a result of the move.³¹ This selection effect may temper the impact of immigrants if they choose to settle in areas with strong economies. Nonetheless, the mechanisms through which immigrants affect local economies are similar to the refugee context, as immigrants seek employment and consume local resources. Many of the same theoretical considerations apply to both cases.

Much of the empirical work that assesses the effects of immigration focuses on labor market outcomes. One of the major studies in this area describes the effect of the Mariel Boatlift of 1980 on the Miami labor market.³² By examining the changes in the Miami labor market relative to a selection of similar cities in the U.S. that were not exposed to the Mariel immigrants, the author finds that the influx of immigrants had virtually no effect on the wages or unemployment rates of less-skilled workers, even among Cubans who had immigrated earlier. A similar study examined the impact of an influx of immigrants from the Soviet Union into Israel between 1990 and 1994 concluding that the immigrants had no adverse impact on the labor market outcomes of native Israelis.³³ One explanation for this may have been that immigrant and native workers complemented one another, allowing the immigrants to fill newly created jobs, as opposed to replacing existing native workers.

³¹George Borjas, “Economic Theory and International Migration,” *International Migration Review* 23, no. 3 (1989): 461.

³²David Card, “The Impact of the Mariel Boatlift on the Miami Labor Market,” *Industrial and Labor Relations Review* 43, no. 2 (1990): 245-57.

³³Rachel Friedberg, “The Impact of Mass Migration on the Israeli Labor Market,” *Quarterly Journal of Economics* 116, no. 4 (2001): 1373-1408.

In contrast to these findings, other empirical work has found that immigrants can have adverse impacts on labor market outcomes. An investigation of the extent of labor market competition among immigrants, minorities, and the native population in the United States shows that immigrants tend to be substitutes for some labor market groups and complements for others.³⁴ The study finds that increases in immigrants have negligible effects on the earnings of native-born men, but do have a sizable impact on the earnings of other immigrants, estimating that an increase of 10 percent in the supply of immigrants reduces immigrant wages by about 10 percent. Other research on immigration in the United States that focuses on the effects on prices as well as wages finds that immigration does in fact reduce the wages of low-skilled workers, but also decreases the price of immigrant-intensive services such as housekeeping and gardening.³⁵ These results imply that low-skilled immigration benefits the native population by decreasing the non-traded goods components of the cost of living. The limited focus on the price of non-traded goods, however, leaves out the effects on the prices of traded goods, which could potentially rise. Once again, the literature shows that the relative substitutability of native and immigrant workers contributes to how local economies are affected by immigration.

The findings of these studies demonstrate that immigrants tend to hurt natives with similar levels of human capital and work experience. When immigrants enter economies that are relatively more advanced, the negative impacts tend to be borne by

³⁴George Borjas, "Immigrants, Minorities, and Labor Market Competition," *Industrial and Labor Relations Review* 40, no. 3 (1987): 382-92.

³⁵Patricia Cortes, "The Effect of Low-Skilled Immigration on U.S. Prices: Evidence from CPI Data," *Journal of Political Economy* 116, no. 3 (2008): 381-422.

previous generations of immigrants and other low-skilled workers. Similar results might be expected in cases of forced displacement, although most of the immigration literature focuses its analyses in countries with well-functioning markets, which is not the case in most areas that are dealing with refugee crises. In the context of many refugee situations, hosting nations are often similar in demographic characteristics and levels of economic development to refugee-sending nations. This is because refugees often move short distances across international borders to states that are similar in many respects. In these instances, refugees may be more easily substitutable with host nation workers, leading to different impacts on local labor markets. If refugees are considerably different from their hosts, however, the results may be similar to those that are found in the immigration literature.

Research Specific to Iraqi Refugees in Jordan

As is the case with most of the research on the effects of refugees on host nations, there is a lack of empirical analysis present in the work that studies the case of Iraqi refugees in Jordan. This is the first study to date that combines the data and research methodology that I use in order to produce a quantitative assessment of the impact of the Iraqi refugees on Jordan's economy. Only one other study, conducted by the Center for Strategic Studies at the University of Jordan, attempts to determine how the Iraqis in Jordan impacted the economy.³⁶ This report evaluates the changes in inflation and growth, finding that the Iraqis have contributed far less to the increases in these measures

³⁶Ibrahim Saif and David DeBartolo, "The Iraq War's Impact on Growth and Inflation in Jordan" (Center for Strategic Studies, University of Jordan, 2007), http://www.carim.org/public/polsotexts/PS2JOR028_EN.pdf (accessed 11 March 2014).

than is often stated. This study varies greatly from my own in that the time period used ends in 2006, which is when my analysis begins. In fact, the paper does not refer to Iraqis in Jordan as “refugees” because it wasn’t until 2006 that large amounts of Iraqis migrated into Jordan. My analysis builds upon this work by evaluating the time period that the refugee burden was thought to be the greatest. Numerous other qualitative papers and reports provide background information on Jordan’s refugee situation and explore the experiences of the Iraqi refugees.³⁷ By documenting the numerous policy changes that impacted the refugees, these studies help to develop the overall context of the Iraqi refugee situation, which informs an understanding of the quantitative results that I produce.

Conclusion

As is evident in the literature, there is no clear consensus as to the impact that refugees have on host nations. Although there is an abundance of refugee situations throughout the world, the lack of empirical data has made it difficult for researchers to

³⁷International Crisis Group, “Failed Responsibility: Iraqi Refugees in Syria, and Jordan and Lebanon” (Middle East Report No. 77, July 2008), <http://www.aina.org/reports/icgreport08.pdf> (accessed 14 January 2014); Patricia Fagen, “Iraqi Refugees: Seeking Stability in Syria and Jordan” (Occasional Paper No. 1, Center for International and Regional Studies, 2007), <http://www12.georgetown.edu/sfs/qatar/cirs/PatriciaFagenCIRSOccasionalPaper2009.pdf> (accessed 20 January 2014); Jeff Crisp et al., “Surviving in the City: A Review of UNHCR’s Operation for Iraqi Refugees in Urban Areas of Jordan, Lebanon and Syria” (UNHCR, July 2009), <http://www.unhcr.org/4a69ad639.html> (accessed 14 January 2014); Victoria Mason, “The Im/mobilities of Iraqi Refugees in Jordan: Pan-Arabism, ‘Hospitality’ and the Figure of the ‘Refugee’,” *Mobilities* 6, no. 3 (2011): 353-373; Bill Frelick, “The Silent Treatment: Fleeing Iraq, Surviving in Jordan,” *Human Rights Watch* 18, no. 10 (2006); Dawn Chatty and Nisrine Mansour, “Unlocking Protracted Displacement: An Iraqi Case Study,” *Refugee Survey Quarterly* 30, no. 4 (2011): 50-83; Rochelle Davis, “Urban Refugees in Amman, Jordan” (Institute for the Study of International Migration, 2012), http://ccas.georgetown.edu/document/1242773779568/Amman_27NOV_pages.pdf (accessed 11 February 2014).

analyze these occurrences, leading to a relatively small body of literature that examines how refugees affect the economic conditions of host nations. Because refugee influxes are similar in nature to immigration, the literature on this topic helps to provide some understanding of this problem, but because the motivations behind immigration are very different than those of forced migration, its relevance is limited. In order to determine what effect refugee populations have on hosting nations, further empirical research is needed to assess the numerous refugee cases around the world. More research is especially needed in those instances where refugees are not housed in camps, but are integrated among host nation populations. My analysis of the case of Iraqi refugees in Jordan will aid in filling this void in the literature and help to better inform refugee policy.

CHAPTER 3

RESEARCH METHODOLOGY

Given the growing prevalence of forced displacement around the world, scholars, practitioners, and policymakers have increasingly recognized the importance of understanding the multifaceted impacts and costs that are born on host populations of refugee-receiving nations. Despite an abundance of theoretical and conceptual discussion of the importance of such measurement, the subject lacks systematic and rigorous methodologies and contains little quantitative economic analysis.³⁸ Part of the reason for this shortage in analysis is that the necessary data requirements often do not exist. Refugee migrations frequently occur in parts of the world that are conflict-ridden, underdeveloped, and absent of statistical agencies that collect and compile data. The difficulty of accounting for refugee populations, especially those located outside of camps, makes data collection even more challenging.

In an idealized social science experiment constructed to determine the impact of refugees on host nations, a researcher would randomly assign varying numbers of refugees across different areas over time and assess the outcomes. Although this experiment is unrealistic for obvious reasons, sometimes events occur in the world in such a way that allows researchers to exploit them as if they were experimentally designed. The case of Iraqi refugees in Jordan is one such natural experiment. Because the vast majority of refugees were located in two particular Jordanian governorates, Amman and Zarqa, the effects of the refugees can be isolated from other parts of the

³⁸Elena Fiddian-Qasmiyeh et al., *Assessing the Impacts and Costs of Forced Displacement: Volume I* (Refugee Studies Centre, University of Oxford, 2012), 6.

country.³⁹ Using this variation in the presence of refugees across Jordan, I construct a quasi-experimental research design that attempts to estimate the changes in Jordan's economy that were due solely to the presence of Iraqi refugees.

Data

The analysis that I conduct draws upon four secondary data sources that offer detailed information on both the Iraqi refugee population and the Jordanian population and economy. The first data source that I use is a collection of statistics created by the Norwegian Research Institute Fafo that was created in 2007. These data were collected via a stratified sampling design and provide information on the characteristics of the Iraqi refugee population in Jordan. The variables used from this survey include: gender, age, religion, health, education, wealth, employment, and type of dwelling. These variables are discussed in detail in the following chapter as well as listed in Table 1. The second data source is the Jordan Household Expenditure and Income Survey (HEIS) from both the years 2006 and 2010. These data sets provide a sample of the Jordanian population and include information on socio-economic measures and spending habits at both the household and individual level. The same descriptive variables used from the Fafo data are taken from these data as well. Expenditure data in the categories of food, clothing and footwear, electricity and gas, and housing rentals is also derived from this data set, as is data on wages. I primarily draw from the household-level data which contains over 5,000 observations. The two survey years were combined to make a pooled cross-section that is used to analyze changes in spending and wages across the period of interest.

³⁹In the 2010 JLMPS, 97 percent of individuals who were of Iraqi nationality resided in the Amman and Zarqa governorates.

The third data source I use is the Jordan Department of Statistics which provides governorate-level annual data on the number of employed and unemployed persons in the country. I draw on data between the years 2002 and 2010 in order to calculate the unemployment rate, which is used to assess the effect of Iraqi refugees on employment. The final data source is the Jordan Labor Market Panel Survey (JLMPS) of 2010. This survey contains over 25,000 observations and provides detailed data on the characteristics and labor market outcomes of persons residing in Jordan. Data on years of education, wealth, and monthly wages are used from this source, along with a variable that indicates if employment occurred in a formal or informal market.

Method

In order to estimate the effect that the Iraqi refugees had in Jordan, one might compare the economic conditions before and after the arrival of the refugees and attribute the changes to the refugees' presence. But, if anything else had changed over this period of time that affected the national economy, this simple estimate would be biased because it fails to account for these other variables. One solution might be to control for all of these additional changes in order to remove them from the estimate of the refugees, but this would require precise knowledge of the magnitude of all the confounding effects. Furthermore, there would likely be unobservable changes occurring across the economy that could further bias the results.

A better way to determine the true estimate of the effect of the Iraqi refugees would be to compare the changes in the areas that received refugees with the changes in areas that were absent of refugees. This allows any other variables that altered economic conditions across the country, both observable and unobservable, to be differenced out of

the estimation. It also accounts for the variation in economic conditions across different parts of the country that remain constant over time. This technique, known as a difference-in-difference analysis, can be used to estimate the actual effects of the Iraqi refugees on Jordan's economy between the two time periods.

In order for this methodology to be valid for the purposes of this research, there are a number of assumptions that must be considered. One is that the data from the before-period must not be affected by the refugees. Using 2006 as the before-period in this analysis is necessary because the survey is only conducted on a quadrennial basis. At the same time that the 2006 data were being collected, Iraqi refugees were already entering into Jordan.⁴⁰ If the impact of the refugees had been felt across the economy prior to the data being collected, then the results would be attenuated and biased towards not estimating an effect. Because the measures I estimate (inflation, unemployment, and wages) take some time to adjust, it is unlikely that using 2006 as the before-period would bias the results.

Another assumption of the model necessary to produce a valid estimate is that the shock that induced the movement of Iraqis into Jordan must be exogenous to the economic measures of interest. For example, if strong economic conditions in Amman led Iraqis to migrate to Jordan in order to find work, then any estimate of the effect of the Iraqis on the economy would be complicated by the fact that it was the economy that caused the movement of the Iraqis. But, since the migration of Iraqi refugees to Jordan was induced primarily by the violence and conflict inside of Iraq, not the conditions

⁴⁰Some Iraqis likely entered Jordan prior to 2006; however, for the purpose of my analysis I use data from the UNHCR on refugee population by year, which shows that the first major influx of Iraqi refugees in Jordan occurred in 2006.

inside of Jordan, the displacement shock does appear to be exogenously determined and independent of labor market conditions.

A third assumption of the difference-in-difference estimator is that in the absence of refugees, the governorates that hosted refugees would have seen the same changes in the measured outcomes as was seen in the non-refugee-hosting areas. In effect, the non-refugee-hosting governorates serve as a control group that predicts the counter-factual outcomes that would have taken place in the refugee-hosting governorates. This requires that there are no governorate-specific changes that occur during the time period analyzed which affect the measured outcomes. For example, if an influx of foreign capital was received in the refugee-hosting governorates but was absent elsewhere in the country, then employment would differentially improve in the areas where the refugees were located for reasons unrelated to the refugees. The difference-in-difference estimate would then be biased and attribute the benefits brought by the foreign capital to the presence of the refugees. Although the counter-factual changes to the economy are by definition unknown, one way to determine if the treatment and control groups appear to be similar is to compare the pre-refugee trends between the two groups. As I will show in Chapter 4 through an analysis of unemployment rates, the pre-2006 trends are very similar between the refugee- and non-refugee-hosting governorates, lending credibility to this identification strategy and partially mitigating this concern.

Conclusion

Although there is no perfect way to isolate the causal effect of the refugees on the economic outcomes that I measure in this natural setting, this methodology achieves a close approximation. Through a careful measurement of the changes in Jordan's

economic conditions that occurred between 2006 and 2010, I provide a robust quantitative analysis of the effect of the Iraqi refugees in Jordan. This analysis, combined with a detailed description of the varying government policies that directly impacted the Iraqi refugees, will provide a comprehensive understanding of Jordan's overall experience with the refugees during this period. In the next chapter I exploit the data sets previously described to characterize the Iraqi refugee population and discuss the implications for Jordanian society. I then go on to estimate the effects that this population had on Jordan's economy, revealing that the dominant narrative does not tell the whole story.

CHAPTER 4

ANALYSIS AND DISCUSSION

This chapter provides an in-depth analysis of the impact of the Iraqi refugees in Jordan. I start by briefly describing Jordan's history with refugees, showing how their previous experiences have shaped their current cultural perceptions. I then outline Jordan's changing policy with respect to the Iraqis and describe the unintended consequences that the government's policies had on the refugee population. I next offer an analysis of the characteristics of the Iraqi refugees and provide a comparison with the Jordanian population. These characteristics, which were largely unknown to the Jordanian government, were vastly different than one might expect to observe in a typical refugee population. I go on to provide empirical estimates of the effects that the Iraqi refugees had on Jordan's economy. My analysis concentrates on three main economic measures that the refugees were criticized for adversely affecting: inflation, unemployment, and wages.

Are Iraqis in Jordan Really Refugees?

From 2006 to 2010, upwards of a half of a million Iraqis migrated into neighboring Jordan. Although Jordan has been generally open to allowing Iraqis into the country, they have done so with caution. To start, Jordan is not a signatory to the 1951 United Nations Refugee Convention and does not have a domestic asylum regime.⁴¹ Despite this fact, Jordan has given refuge to an abundance of displaced persons over the course of its history, resulting in the highest ratio of refugees to total population of any

⁴¹Mason, "The Im/mobilities of Iraqi Refugees in Jordan," 358.

country in the world.⁴² Jordan's most abundant source of migrants has come in the form of displaced Palestinians who entered the country following the 1948 Palestine war and the 1967 war with Israel and occupation of the West Bank. Jordan has granted the majority of these refugees citizenship, while the United Nations Relief and Works Agency maintains the Palestinian refugee camps, providing health and education services for the camps inhabitants.⁴³ The Palestinian experience has deeply affected not only Jordan, but much of the Middle East, resulting in the term "refugee" becoming synonymous with individuals who have been denied national existence.

In 1998, Jordan and the UNHCR signed a Memorandum of Understanding authorizing the UNHCR to provide international protection to persons falling within its mandate in Jordan.⁴⁴ This agreement affirms Jordan's commitment to the principle of non-refoulement, but does not require Jordan to abide by all of the requirements set forth in the 1951 Convention. Rather, the agreement allows the UNHCR to adjudicate refugee claims and seek third-country resettlement for recognized refugees. Despite the signing of this memorandum, the UNHCR remained uninvolved when the first wave of Iraqis began to spill across the Jordanian border. The inaction of the UNHCR was partly due to a lack of resources in Jordan, but also existed because the organization did not want to engage in a procedure that could result in Iraqis being returned to Iraq for failure to qualify as

⁴²Geraldine Chatelard, "Jordan: A Refugee Haven" (Migration Policy Institute, August 2010), <http://www.migrationpolicy.org/article/jordan-refugee-haven> (accessed 6 January 2014).

⁴³Joseph Sassoon, *The Iraqi Refugees: The New Crisis in the Middle East* (New York: I. B. Tauris and Co., 2009), 33.

⁴⁴Mason, "The Im/mobilities of Iraqi Refugees in Jordan," 358.

refugees according to the narrow persecution standard in the Refugee Convention.⁴⁵ As a result, most of the Iraqis that initially fled to Jordan received little assistance once they arrived.

The Government of Jordan was as equally reluctant to classify the Iraqis as “refugees”. Jordan’s unwillingness to do so was in part due to domestic concerns that the Iraqis’ presence would destabilize Jordan’s somewhat fragile political and economic institutions and because of a larger regional belief that doing so would amount to a statement of foreign policy that the Iraqi government was unable to protect its own citizens.⁴⁶ Additionally, the UNHCR had identified that Jordan was concerned that, “future refugee populations, like the Iraqis, if accorded the rights set down in the 1951 Convention may too end up remaining on their soil indefinitely.”⁴⁷ By denying the Iraqis refugee status, Jordan hoped that their presence would only be temporary in nature. The Iraqis also disliked being referred to as “refugees”, as they saw it as a term indicating failure and the need to seek support and help from others.⁴⁸ As described above, alongside others in the region, Iraqis reserve the term “refugee” for Palestinian migrants

⁴⁵Frelick, “The Silent Treatment,” 6.

⁴⁶Geraldine Chatelard, Oroub El-Abed, and Kate Washington, “Protection, Mobility and Livelihood Challenges of Displaced Iraqis in Urban Settings in Jordan” (International Catholic Migration Commission, May 2009), 10, http://reliefweb.int/sites/reliefweb.int/files/resources/751268C72BA0BCD0492575EE0018E0D8-Full_Report.pdf (accessed 14 February 2014).

⁴⁷Anne Barnes, “Realizing Protection Space for Iraqi Refugees: UNHCR in Syria, Jordan and Lebanon” (Research Paper No. 167, January 2009), 16, <http://www.unhcr.org/4981d3ab2.html> (accessed 14 December 2013).

⁴⁸Sassoon, *The Iraqi Refugees*, 3.

and do not self-identify with the label.⁴⁹ Many Iraqis also saw their stay in Jordan as temporary and hoped to return to Iraq once the violence subsided.⁵⁰ The violence did not quickly diminish, however, and many Iraqis remained in Jordan much longer than anticipated.

The hesitation to label the Iraqis as “refugees” by both the Jordanian government and the Iraqis themselves is somewhat of a paradox. Although the Jordanian government feared that granting the Iraqis refugee status would require them to provide certain protections to the Iraqis, refusing to offer them these legal protections limited the ability and willingness of external governmental and non-governmental actors to offer support to both the refugees and the Jordanian government. Although Jordan reserved the right to refuse entry to Iraqis whom they deemed were a threat to the Kingdom’s security, approximately half a million Iraqis resided in Jordan by the end of 2006. With such a large number of Iraqis in the country, the government could have greatly benefited from external aid. It wasn’t until February of 2007 that the UNHCR announced that all Iraqis in Jordan would be considered as refugees on a *prima facie* basis, although even at that time UNCHR offices were still understaffed and unprepared to register and offer assistance to the refugees.⁵¹ Jordan subsequently refused to accept the *prima facie*

⁴⁹Mason, “The Im/mobilities of Iraqi Refugees in Jordan,” 360.

⁵⁰Fafo, “Iraqis in Jordan 2007: Their Number and Characteristics,” 42, <http://www.fafo.no/ais/middeast/jordan/IJ.pdf> (accessed 22 October 2013).

⁵¹Crisp et al., “Surviving in the City,” 21.

designation stating that Iraqis registered with the UNHCR would be designated as asylum seekers.⁵²

The Iraqis on the other hand resisted the label mainly for cultural reasons. Unknown to many Iraqis, by not being legally identified as refugees they forwent some of the legal protections offered to them such as the right to work, as well as access to courts and primary education.⁵³ Although the 1998 Memorandum of Understanding that Jordan signed with the UNHCR agreed that the principle of non-refoulement would be granted to refugees seeking asylum in Jordan, there were several instances where UNHCR refugee-card holders were returned to Iraq, possibly violating this agreement.⁵⁴ The uncertainty as to the legal status of Iraqis in Jordan prevented most Iraqis from receiving some of the basic assistance that legally recognized refugees would typically be provided. While both the government of Jordan and the Iraqis had their own reasons for resisting the recognition of legal refugee status for the Iraqis, doing so denied both parties benefits that they otherwise would have received.

Jordan's Policy Towards Iraqi Refugees

Iraqis who fled to Jordan after the onset of the Iraq war were received as “guests” of the Kingdom, meaning they were able to enter Jordan on a temporary visa which allowed them to stay for six months. This policy was consistent with the strong traditions of Arab hospitality and brotherhood, but reflected a widely-held concern among the

⁵²Fagen, “Iraqi Refugees,” 9.

⁵³UNHCR, *Convention and Protocol Relating to the Status of Refugees*, 3.

⁵⁴Frelick, “The Silent Treatment,” 24.

Jordanian people that the acceptance of another large refugee population would strain the nation's political-demographic makeup, adding to the already 1.8 million Palestinians already living in the country.⁵⁵ Expecting that the Iraqis would consume a number of public services, many Jordanians feared that an influx of refugees could overwhelm the existing systems. This "guest" status that was granted to the Iraqi refugees allowed for their temporary presence, but did not offer them any legal protection provided under the refugee convention and subjected them to a series of perceived risks and constraints, including the denial of return to Jordan for those who would like to visit Iraq in order to evaluate their possibilities for return.⁵⁶

Jordan's policy towards Iraqi refugees evolved over the course of the Iraq war. Initially, visas were relatively easy to obtain by Iraqis who sought temporary refuge in Jordan, but as the violence continued to increase in Iraq and the number of refugees fleeing to Jordan rose, the Jordanian government modified its policies. The November 2005 bombing of three hotels in Amman, for which al-Qaeda in Iraq claimed responsibility, showed that violence from the neighboring war could spill over the border. In 2006, in an effort to increase the security within Jordan, the border authority began to exclude single men between the ages of seventeen and thirty-five from entering the country.⁵⁷ In 2007, tougher restrictions on allowing refugees to enter the country were enforced and a new passport was required in order for Iraqis to renew their residency

⁵⁵Sassoon, *The Iraqi Refugees*, 52.

⁵⁶Chatelard, "Protection, Mobility and Livelihood Challenges of Displaced Iraqis in Urban Settings in Jordan," 11.

⁵⁷Fagen, "Iraqi Refugees," 9.

permits.⁵⁸ Additional restrictions were enacted in May of 2008 when advanced visa requirements were implemented which granted eligibility only to select categories of individuals. Among those allowed to enter Jordan were business people, government officials, students, those in need of medical treatment, and others who had an institutional guarantor in Jordan.⁵⁹ Many Iraqis who entered prior to 2008, but did not fall under one of these categories, were unable to renew their visas, leaving their status in limbo and subjecting them to a fine of 1.5 Jordanian dinars per day of overstay. Despite the stringent language of the new law, Jordanian officials only deported Iraqi refugees back to Iraq if they posed a serious security concern to the state. Nonetheless, the uncertainty associated with this policy change created an incentive for refugees, who were no longer eligible to remain in Jordan but saw the option of returning home to Iraq as impractical, to avoid government discovery by abstaining from enrollment in refugee assistance programs. This caused great difficulty for the UNHCR, who in 2009 had only enrolled 55,000 of the 450,000 estimated Iraqi refugees in Jordan.⁶⁰

Some Iraqis who possessed high levels of financial and social capital were able to avoid finding themselves in this legal predicament. One way to do this was by acquiring a long-term residency permit which required an individual to invest substantial capital in a Jordanian bank account or in Jordanian real-estate. The initial amount of the deposit required to receive this permit was \$150,000, making this option unrealistic for the vast

⁵⁸Chatelard, “Protection, Mobility and Livelihood Challenges of Displaced Iraqis in Urban Settings in Jordan,” 14.

⁵⁹Ibid., 15.

⁶⁰Ibid., 10.

majority of Iraqis.⁶¹ The other way for an Iraqi to secure long-term residency was to obtain a work contract. This required being connected to a Jordanian employer or official of importance and being able to demonstrate that the position could not have been filled by a Jordanian and that it would not take work away from Jordanian citizens.⁶² Only a limited number of refugees with high-level professional skills were able to successfully secure residency in this manner.

These shifts in policy over time were driven by both increased security concerns and the perceived negative impact that the Iraqi refugees were having on the Jordanian economy. One consequence of these changes was that the new rules left the vast majority of Iraqi refugees immobile. Prior to the increased restrictions, many Iraqi refugees were regularly crossing back into Iraq from Jordan in order to visit family and friends, check on property, sell belongings to earn income, and assess the situation to determine if it was safe enough to permanently return home.⁶³ Refugees, who were now unable to renew their expired visas, were confronted with the likelihood of not being able to re-enter Jordan should they choose to leave the country. By limiting the mobility of Iraqi refugees, these restrictions made it less likely that the Iraqis could support themselves in Jordan or prepare to return to Iraq permanently.⁶⁴ These policy changes which were meant to limit the impact that Iraqi refugees had on Jordanian society actually had the

⁶¹International Crisis Group, “Failed Responsibility,” 9.

⁶²Mason, “The Im/mobilities of Iraqi Refugees in Jordan,” 361.

⁶³Crisp, “Surviving in the City,” 11.

⁶⁴Mason, “The Im/mobilities of Iraqi Refugees in Jordan,” 363.

unintended effect of increasing the vulnerabilities of many of the refugees who remained in the Kingdom.

The changing economic conditions that occurred in Jordan were also attributed to the presence of the Iraqi refugees. One of the major concerns was the sharp rise in prices that occurred in conjunction with the entrance of Iraqis into Jordan. The Jordanian government blamed the Iraqis for a significant rise in inflation that occurred in 2007.⁶⁵ This negative sentiment towards the refugees was echoed by a non-governmental organization operating in Jordan, reporting that “the arrival of the Iraqi refugees in this landlocked nation of some 5 million people—more than half of whom are former Palestinian refugees—has caused prices to skyrocket, making the cost of living for the average Jordanian almost prohibitive.”⁶⁶ Jordanians were also concerned that Iraqi migrants would be willing to work for low wages, thus altering Jordan’s labor market by reducing wages of Jordanian workers or taking jobs away from Jordanian citizens. Additionally, the rising cost of providing social services to the Iraqis was considered a burden on Jordanian taxpayers. In 2007, Jordan’s Minister of Interior said that Iraqi refugees were costing his government \$1 billion a year.⁶⁷ That same year, King Abdullah, speaking about the impact of Iraqi refugees, said “Jordan has provided them with all the facilities they need to lead a dignified life. But we fear at this point that we may witness a

⁶⁵International Crisis Group, “Failed Responsibility,” 12.

⁶⁶“Influx of Iraqis to Jordan Strains Resources,” *America*, 19 March 2007, <http://web.b.ebscohost.com/ehost/pdfviewer/pdfviewer?vid=4&sid=31daf36c-e7b3-43fb-8b64-40707782c7ae%40sessionmgr111&hid=124> (accessed 12 March 2014).

⁶⁷Andrew Harper, “Iraq’s Refugees: Ignored and Unwanted,” *International Review of the Red Cross* 90, no. 869 (2008): 177, http://www.icrc.org/eng/assets/files/other/irrc-869_harper.pdf (accessed 28 November 2013).

greater flow of Iraqi people into Jordan. This will be extra burden on our country, because our resources and capabilities are limited.”⁶⁸ Fearing that refugees from Iraq were both a security concern and an economic burden it is no surprise that the Jordanian government attempted to take measures to limit their presence in the Kingdom.

Characteristics of the Iraqi Refugees and their Implications

In order to theorize the potential impact that any refugee population may have on a country, it is useful to understand the demographic profile of the refugees. For refugee populations around the world that are housed in camps, it is relatively easy to collect data on their characteristics. Iraqis in Jordan, however, did not reside in government controlled camps, but rather lived in and among the local population. This presented a problem for both relief agencies who sought to provide humanitarian assistance and support to the refugee population, as well as the Jordanian government who wished to account for the number of refugees within its borders. In 2007, in order to develop a better understanding of the Iraqi refugee situation, the Jordanian government contracted the Norwegian Research Institute Fafo to conduct a study of the refugee population. To do this, Fafo, in conjunction with the Jordanian Department of Statistics and a Jordanian government technical team, conducted a survey of Iraqi refugees to gather data for the study. The survey focused on two main areas. The first was the general demographic composition of the refugees such as gender, age, religion, place of origin, and ethnicity. The second area focused on measures more closely associated with economic potential such as education level, skills, labor force participation, wealth, and health. This section

⁶⁸Sassoon, *The Iraqi Refugees*, 55.

uses the results of that survey to better understand the characteristics of the Iraqi refugee population that resided in Jordan and to discuss the implications for Jordanian society.

Gender

The overall distribution of gender in the Iraqi refugee population shows that women slightly outnumbered men. When separated by age group, it becomes apparent that the disparity in gender is driven mainly by the large difference in the 25-64 year category. In this segment of the population, Iraqi females outnumbered males by over twenty percent. This large difference may have been partly a result of the 2006 temporary ban on young unmarried men entering into Jordan.

Almost one in five Iraqi refugee households was headed by a woman. Female-headed households were considered to be particularly high-risk due to the lack of employment opportunities for women in Jordan. Furthermore, many of these households lacked access to any external resources from which to draw upon, as 32 percent of these female-headed households fell within the lowest wealth quintile. To compensate for the lack of income, some female-headed households decided to not send their children to school and instead attempted to find them some sort of employment in order to provide income for the family.⁶⁹ These children were extremely vulnerable and often were subjected to mistreatment. Their absence from school caused them to fall behind their peers and made it less likely that they would return to school to eventually complete their education.

⁶⁹Davis, "Urban Refugees in Amman, Jordan," 69.

Age

The mean age of the Iraqi refugee population was 29.5 years, which is higher than the mean Jordanian age of 24. Additionally, 26 percent of the refugee population was below 15 years of age. With so many of the Iraqi refugees being of school age, many in the international community became concerned about the prospects of Jordan's education system being able to support the refugee children. The initial policy of the Jordanian government was that Iraqi children whose families were not registered with the UNHCR as refugees were not permitted to enroll in public school.⁷⁰ Jordanian officials felt that this was a necessary policy to adopt because the current educational system would be overwhelmed if required to take on a large influx of students. In order to support the estimated number of refugee children, they would need to build additional schools and hire more teachers, something they were not initially willing to do to solve what they hoped would be a temporary problem. The registration requirement proved to be effective in minimizing the number of refugee children who entered school. Many Iraqi's resisted registration by the UNHCR because of the cultural stigma of being classified as a refugee and because of the fear of possibly of being deported if they did not possess a valid residency permit.

Recognizing this dilemma, the UNHCR and other organizations lobbied the Jordanians to grant educational access to all children of Iraqi refugees. One of the main concerns was that the Iraqi children would incur a significant break in their education that they would not be able to recoup, likely affecting their lifetime educational attainment. The UNHCR's representative to Jordan expressed this sentiment stating, "one of the most

⁷⁰Fagen, "Iraqi Refugees," 11.

crucial challenges that we face is that we do not lose the literacy and futures of a generation of Iraqi children due to displacement.”⁷¹ In August 2007, as a result of the international pressure, King Abdullah II issued a decree that granted all Iraqi children access to Jordanian public schools.⁷² As a result, Iraqi attendance greatly increased and by the end of 2007 more than 43,000 Iraqi children were attending school in Jordan.⁷³

While this increase in attendance was noteworthy, a majority of Iraqi children still remained out of school. A simple calculation using Fafo’s data estimates that there were approximately 117,000 Iraqi refugees of school age, indicating that a large amount of children still remained out of school, even after being granted unconditional access by the King.⁷⁴ Mercy Corps, a non-governmental organization that provided aid to displaced Iraqis in Jordan, investigated the lack of Iraqi children in Jordanian schools and found a number of reasons for their absence. Some of the reasons cited include: parents’ fear of being identified as illegal residents of Jordan, the inability of Iraqi students to maintain progress academically due to an extended break in their education, fear that Iraqi students will not be socially accepted by their Jordanian classmates, a lack of transportation, and the need for students to work or assist in household duties due to economic hardships.⁷⁵

Religion

Approximately 85 percent of Iraqi’s in Jordan were Muslim and almost 13 percent were Christian. Of those Iraqi’s who identified themselves as Muslim, 80 percent were Sunni and 20 percent were Shia. The population of Jordan is predominantly Sunni-

⁷¹Ziad Ayad, “Iraqi refugee children head back to packed public schools in Jordan,” UNHCR, 25 August 2008, <http://www.unhcr.org/48b2c6aa4.html> (accessed 9 March 2014).

⁷²Ibid.

⁷³Harper, “Iraq’s Refugees,” 181.

⁷⁴1,565 out of 6,638 (23.6 percent) Iraqi respondents in the Fafo survey were between the ages of 6 and 17. Using the high-end of their estimated number of Iraqis in Jordan (500,000), this means that approximately 117,000 refugees were of school age.

⁷⁵Mary Ann Zehr, “Jordan opens schools to Iraqis, but not all come,” *Education Week*, 5 February 2008, http://www.edweek.org/ew/articles/2008/02/05/23jordan1_web.h27.html (accessed 9 March 2014).

Muslim and limited reporting suggests that Shia refugees were discriminated against by Jordanian authorities. The International Crisis Group, a non-governmental organization, interviewed Iraqi refugees in 2007 and reported a number of instances of harassment towards Shia-Muslims including: a prohibition on opening Shia houses of prayer, teachers telling Shia children they are not true Muslims, preachers giving sermons in support of the targeting of Shias in Iraq, popular use of the derogatory term *rafidin* (“rejectionists”) to describe Shias, and border officials questioning the religion of refugees upon their arrival at the Jordan border.⁷⁶ Other than these anecdotal reports there is no other evidence to suggest that Shia Iraqis were treated systematically different than Sunni refugees.

Health

Approximately 11 percent of the Iraqi population in Jordan suffered from a chronic illness. Obtaining medical treatment initially proved to be problematic for many Iraqi refugees. Although health insurance could be purchased in Jordan, only 13 percent had a valid health insurance plan. Recognizing that access to health care was a vital concern for the refugee population, the Jordanian government agreed in the summer of 2007 to allow Iraqi refugees open access to the public health care system. Despite public health care being made available, many refugees avoided its use fearing risk of deportation due to their residency status. Those who chose to take advantage of the new opportunity to seek medical care in public hospitals found that the overcrowding of the public health care system made it extremely difficult to receive treatment. A former

⁷⁶International Crisis Group, “Failed Responsibility,” 11.

university professor in Baghdad described his experience stating, “Public hospitals are overwhelmed with patients. Doctors often advise patients to turn to the private sector for fast treatment, if their medical condition is urgent.”⁷⁷ Many refugees, however, were unable to afford the costs of private health care and as a result were unable to receive proper medical care.

Education

The educational level among Iraqi refugees was relatively high with almost 50 percent of Iraqi refugees between the ages of 25 and 64 years having earned a bachelor’s degree. Women aged 16 and above had a very high rate of Bachelor’s degree obtainment as well, at 42 percent. One explanation for the Iraqi refugees’ relatively high level of educational attainment is that when Iraqi migration surged in 2006 following the sharp rise in sectarian violence, the first to leave were those with the greatest means to relocate themselves and their families to Jordan. Additionally, with prices being generally higher in Jordan than they were in Syria, it is possible that some refugees accounted for this fact in their selection of destination, with wealthier refugees being attracted to Jordan.⁷⁸ Since education is highly correlated with an individual’s wealth, these explanations are consistent with the high levels of educational attainment among the Iraqi refugee population.

⁷⁷“Jordan: Cost of health care a major hurdle for Iraqi refugees,” *IRIN*, 27 March 2008, <http://www.irinnews.org/report/77480/jordan-cost-of-health-care-a-major-hurdle-for-iraqi-refugees> (accessed 9 March 2014).

⁷⁸Ed O’Loughin, “Wealthy Iraqi refugees meet wave of resentment in Jordan,” *The Age*, 17 November 2007, <http://www.theage.com.au/news/world/wealthy-iraqi-refugees-meet-wave-of-resentment-in-jordan/2007/11/16/1194766965626.html> (accessed 9 March 2014).

Wealth

One way to gauge the relative wealth level of Iraqi refugees in Jordan is to analyze their ownership of household durables. Iraqi refugees had higher ownership rates of air conditioners, similar rates of refrigerator and television ownership, and lower rates of washing machine and automobile ownership compared to the Jordanian population. Although many refugees may have brought along with them considerable levels of wealth, the difficulty in gaining employment led to hardships for a large portion of the refugee population, including many who arrived highly educated and wealthy.

Employment

According to Faflo data, Iraqi refugees in Jordan had a labor force participation rate of 29 percent. Among Iraqi women this rate was much lower, with only 14 percent actively participating in the labor market. Amongst the entire refugee population, only 22 percent of Iraqis were employed. Despite the high level of education among the Iraqi refugees, the legal requirements to gain a work permit in Jordan greatly limited the ability of most Iraqis to work legally.⁷⁹ The inability of most refugees to earn income through legal employment complicated their efforts to support themselves and their families. Many Iraqi refugees, as well as aid personnel working in Jordan, identified access to legal employment as the most pressing need facing the Iraqi refugee population.⁸⁰

⁷⁹Davis, “Urban Refugees in Amman, Jordan,” 4.

⁸⁰James Emanuel, “Embracing reality to Find Sustainable Solutions: An Examination of the Law Surrounding Work for Iraqi Refugees in Jordan” (University of Notre Dame Law School, The Law School, November 2011), 1, <http://www.avsi.org/wp-content/uploads/2011/12/Executive-Summary-Iraq-Refugees-and-law-2011.pdf> (accessed 14 February 2014).

The circumstances that allowed Iraqi refugees the right to work in Jordan were very restrictive. Refugees were not permitted to work in sectors of the economy that would put them in competition with Jordanian workers, eliminating the possibility of Iraqis becoming employed in vast segments of the economy. Even if a refugee found an employment opportunity in an approved sector, the bureaucratic procedures required to obtain the proper documentation were often prohibitive. A legal report published by the University of Notre Dame Law School describes the process:

Before they can be legally employed, Iraqi refugees must obtain a work permit from the Ministry of Labour. To be eligible for a work permit, individuals must first have a residency permit from the Ministry of Interior. A residency permit is issued only for a one-year term, and requires a work contract, a processing payment, and often a bank security deposit. Residency permits and work permits are subject to the discretion of the Minister of the Interior and the Minister of Labour, respectively. Jordanian law also requires potential employers to provide a litany of documents and certificates—some of which must be certified by various government ministries—in addition to a bank guarantee and payment for work permits.⁸¹

Much of the reason that these work restrictions on the Iraqis were so burdensome resulted from the condition of the Jordanian labor market and the domestic perception of how the Iraqis would affect Jordan's economy. In 2007, the unemployment rate in Jordan averaged 15.1 percent.⁸² With so many Jordanian workers unable to find employment, the Kingdom's policies erred on the side of maximizing the labor market opportunities of its citizens, even at the expense of the Iraqi refugees. These restrictive policies, however, limited the infusion of Iraqi human capital and financial resources into the Jordanian labor market, which potentially could have brought about positive economic benefits.

⁸¹Ibid., 2.

⁸²Jordan Department of Statistics, http://www.dos.gov.jo/dos_home_e/main/ (accessed 12 January 2014).

One unique aspect of the Iraqi refugee population already discussed was that the refugees were relatively highly educated. Amer Hassan Fayed, the assistant dean of political science at Baghdad University expressed concern that a “brain drain” was occurring in Iraq as a result of many of Iraq’s top professionals, including doctors, lawyers, and professors, leaving the country in favor of places like Jordan.⁸³ In many cases, Iraqis who were able to overcome the bureaucratic hurdles and obtain a work permit had to resort to being employed in occupations well below their skill level. Many Iraqi doctors voiced grievances about the prospect of having to work below their qualification level and some doctors who worked in Jordanian teaching hospitals complained that the hospitals took advantage of their precarious legal status by not paying the doctors for their work.⁸⁴ One of the questions the Fafo survey asked of employed Iraqis had to do with why the refugees wished to change their job. The primary reason given was that the income in the current job was insufficient, followed by a frustration that the current job did not fit the workers qualifications. Additionally, many Iraqis with the potential to start their own businesses were unable to do so because of the work restrictions, eliminating the potential for new jobs to be created for not only other Iraqi refugees, but Jordanian citizens as well.

Because so many Iraqi’s were unable to work, they became largely reliant on other sources of income. The largest source of income for Iraqi households in Jordan was transfer income that came from Iraq, with 42 percent of households having received

⁸³Doug Struck, “Professionals Fleeing Iraq as Violence, Threats Persist,” *Washington Post*, 23 January 2006, <http://www.washingtonpost.com/wp-dyn/content/article/2006/01/22/AR2006012201112.html> (accessed 17 March 2014).

⁸⁴Sassoon, *The Iraqi Refugees*, 47.

transfers from inside Iraq. These transfers provided an important means for many refugees during the tenuous initial period when the Iraqis were attempting to settle themselves inside of Jordanian. For most refugees, the ability to draw on income sources from Iraq was limited and became even more difficult over time as changes in policy hindered refugee movement between Iraq and Jordan. Unable to renew expired residency permits, many refugees became immobilized due to their fear of being permanently deported back to the war zone in Iraq. As transfer payments from Iraq became depleted or inaccessible, Iraqi refugees became much more vulnerable and sought other ways to generate enough income to sustain their families.

An unintended consequence of Jordan's refugee policy was that many Iraqis, unable to legally work, sought employment in the informal labor market. Work in the informal economy generally paid very low wages and subjected refugees to the danger that they could be deported if found engaging in illegal work. Elderly men selling items such as socks or chewing gum on the streets, children working in garages or cleaning windows, and women working as domestic laborers are examples of the sorts of illegal jobs that Iraqi refugees conducted.⁸⁵ Although informal markets are generally hidden from the government, they have the effect of undermining formal markets. When transactions occur in an informal market, the government loses out on the tax revenue that would have been gained had the sale occurred in a legal transaction. This deprives the government of funds needed to provide public goods and social services to its population. Additionally, since workers in the informal market are not guaranteed the minimum wage that is mandated by law, goods and services in these markets can be

⁸⁵Mason, "The Im/mobilities of Iraqi Refugees in Jordan," 363.

produced at a lower cost than in the formal economy, thus undercutting sale of legal goods.

Comparison of Iraqi Refugees and Jordanians

In order to better understand the implications of the characteristics of the Iraqi refugees on Jordan's economic conditions, it is necessary to compare the refugees with the Jordanian population. The Fafo study does not allow for a direct comparison to be made, as it focused mainly on the Iraqi refugees. The 2006 Jordan HEIS does, however, provide data on the Jordanian population on many of the same measures that were used in the Fafo study. Table 1 combines these two data sources to provide a comparison of the Iraqi refugee population and the Jordanian population with respect to many of the previously discussed characteristics. In summary, the Iraqi refugee population contained slightly more females and a significantly higher amount of female headed households. The refugees were older on average and contained fewer children per household than the Jordanians. The education level of the Iraqis was high, although as shown, Jordanian policy restricted the ability of most of the refugees to enter the labor force and to find employment. Unlike many other migrant populations, the Iraqi refugees were, on average, not poor upon their arrival, possessing similar levels of wealth as the Jordanian population as measured by their ownership of certain household durables.

Table 1. Characteristics of Iraqi Refugees and Jordanians, 2006/2007

Individual Data			Household Data		
	Iraqis	Jordanians		Iraqis	Jordanians
Gender (%)			Gender of Household Head (%)		
Male	44.5	51.0	Male	80.6	88.2
Female	55.5	49.0	Female	19.4	11.8
Age (%)			Children in Household (%)		
Mean (years)	29.5	24.5	Yes	60.1	69.1
Less than 6	11.7	13.8	No	39.9	30.9
6-14 years	14.9	23.4	Household Size (persons)	4.1	5.9
15-24 years	17.6	22.6	Tenure for Dwelling (%)		
25-64 years	51.6	36.6	Rented	73.0	20.9
65 and older	4.1	3.6	Owned	25.4	72.7
Educational Attainment (%)			Without Payment	1.0	5.8
None	4.5	15.1	Other	0.6	0.6
Primary	9.9	10.6	Household Durables (%)		
Lower Secondary	15.2	37.7	Refrigerator	94.6	97.3
Secondary	14.5	17.6	Washing Machine	85.9	96.8
Post Secondary	10.5	8.0	Television	97.8	98.8
Bachelor	46.3	11.1	Air Conditioner	12.6	5.3
Labor Market Status (%)			Car	32.0	40.5
L.F.P.R ^a	29.3	42.3	Sample Size	1690	2797
Employed	21.5	32.9			
Sample Size	6638	9854			

Source: Data on Iraqi Refugees taken from Fafo, “Iraqis in Jordan 2007: Their Number and Characteristics,” <http://www.fafo.no/ais/mideast/jordan/IJ.pdf> (accessed 22 October 2013), Data on Jordanians taken from Economic Research Forum, “Jordan Household Expenditure and Income Survey 2006,” <http://www.erfdataportal.com> (accessed 14 January 2014).

^aLabor Force Participation Rate = the number of employed and unemployed persons divided by the working-age population.

Having such detailed data on the characteristics of a refugee population that is not situated in refugee camps is rare. In order to compile this data, Fafo had to seek out the

refugees and attempt to construct a sample that accurately represented the characteristics of the overall refugee population. As was previously explained, many refugees in Jordan were hesitant to register with humanitarian organizations or enroll in government services for fear of being identified as illegally residing in the country. Similarly, refugees may view international organizations as agents of the government and avoid offering information to interviewers for the same reasons. If this did in fact occur when the Fafo study was conducted, we would expect the data to be biased towards the more well-off refugees. Others have claimed that for these same reasons the Fafo results are skewed in favor of those less vulnerable and with the right legal status.⁸⁶ The especially high levels of education and wealth measures may then be overestimates and the numerous anecdotes that describe the refugee population as highly educated and wealthy may be misrepresentative of the true refugee population.

The Fafo study has also been criticized for possibly being influenced by the Jordanian government. Although the field-work was completed in May of 2007, the government allegedly held up the release of the study because of a dispute over the total number of refugees in the country.⁸⁷ One Jordanian diplomat stated in an interview that “the Jordanians wanted Fafo to reflect a higher number in order to be able to receive more aid, and to counter the large number of Palestinians.”⁸⁸ Given the difficulty in accounting for a large refugee population dispersed throughout urban terrain and partially integrated with local communities, it is understandable that there might be differences in

⁸⁶Sassoon, *The Iraqi Refugees*, 37.

⁸⁷Fagen, “Iraqi Refugees,” 7.

⁸⁸Sassoon, *The Iraqi Refugees*, 38.

refugee population estimates. It is also natural that the government would err on the side of overestimating the number of refugees since international support increases as the refugee population grows.

As a robustness check of the estimates already presented, I draw on an additional data set that offers insight into the characteristics of the Iraqi refugees in Jordan. In 2010, the JLMPS was initiated. Unique to this data set is that it provides information on the nationality of the individuals surveyed. This allows a direct comparison to be made between the Jordanian population and the Iraqi refugees. This survey was conducted three years after the Fafo study, but because the number of Iraqis in Jordan remained relatively constant over that period, the characteristics of the refugees would be expected to change very little. An added benefit of comparing the two populations using this data set, unlike the previous analysis, is that it allows the ability to calculate the standard errors of the estimates in order to determine if the differences between the Iraqis and Jordanians are statistically significant.

One of the biggest differences between the Jordanians and the Iraqi refugees uncovered in the Fafo study was the relatively high levels of education possessed by the Iraqis who migrated into Jordan. The 2010 JLMPS confirms that the Iraqi refugees were relatively highly educated. Figure 2 shows the percentage of the Jordanian and Iraqi refugee population that possessed various levels of educational attainment. In 2010, the education distribution of adult Iraqi refugees was skewed to the right with over half of Iraqis possessing at least a university degree, demonstrating that many of the highly educated Iraqis who initially fled Iraq did not re-settle in third countries, but rather remained in Jordan. In order to determine how much additional education Iraqi refugees

possessed relative to the Jordanian population, I conduct an ordinary least squares regression that tests the difference in mean years of education. The results, shown in Table 2, indicate that the Iraqi refugees had, on average, 2.54 additional years of education. This result is statistically significant at the 95 percent confidence level.

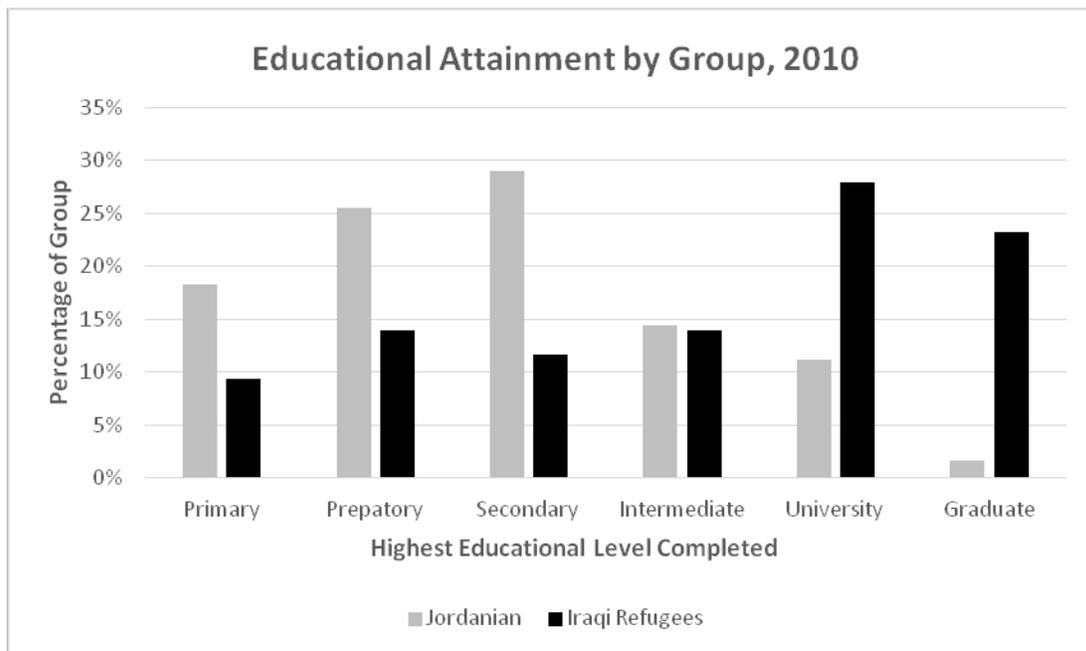


Figure 2. Comparison of Educational Attainment

Source: Economic Research Forum, “Jordan Labor Market Panel Survey 2010,” <http://www.erfdataportal.com> (accessed 14 January 2014).

Another added benefit of the 2010 JLMPS data is that it offers a more comprehensive measurement of wealth through a variable that assigns each individual a household wealth score. The value of this variable is determined by examining an extensive list of household possessions. These data show that on average, Iraqi refugee

households possessed statistically significantly higher levels of wealth than did Jordanian households, although it is unclear how much of this wealth was brought from Iraq. This finding is consistent with the previous observation that Iraqi refugees were relatively highly educated. Together, these two measures indicate that there was great potential for the Iraqi refugees to contribute positively to Jordan's economy. As numerous anecdotal reports have indicated, however, those refugees who were able to enter the Jordanian labor market were not able to capitalize on their education, skills, and experience.

To determine if those Iraqis who did find employment in Jordan were able to obtain jobs consonant with their abilities, I compare the monthly wages earned by Jordanians laborers and Iraqi refugees who earned a monthly income. A comparison of means shows that Jordanians on average earned 1,374 Jordanian dinars per month whereas the Iraqis' average monthly income was 993 Jordanian dinars. This simple comparison indicates that Iraqi refugees earned significantly less in the labor market; however, it does not account for the fact that the refugees are more highly educated on average than the Jordanians.⁸⁹ To account for this difference, I conduct an ordinary least squares regression that measures the difference in wages, controlling for years of education. As shown in Table 2, when education is taken into account, Iraqi refugees earned almost 650 Jordanian dinars less per month than the average Jordanian worker. This result is statistically significant at the 95 percent confidence level.

⁸⁹Given that education and income are positively correlated, this difference is an underestimation of the true difference in wages.

Table 2. Differences between Iraqi Refugees and Jordanians, 2010

Variable	Coefficient	Standard Error	Sample Size
Years of education	2.54**	.59	16165
Wealth index	1.06**	.05	25969
Total monthly wages (JD)	-479.92*	253.05	4822
Total monthly wages (JD) (controlling for years of education)	-648.61**	227.24	4822
Employment in formal market	-.48**	.07	5863

Source: Economic Research Forum, “Jordan Labor Market Panel Survey 2010,”

<http://www.erfdportal.com> (accessed 14 January 2014).

Notes: Coefficients are estimated from an OLS regression of the measured variable against a dummy variable identifying the person as an Iraqi. Coefficients are weighted using sampling weights provided with the 2010 JLMPS.

*p<.1, **p<.05

One of the major explanations as to why the Iraqis earned significantly less is that they were forced to seek employment in informal markets, partly as a result of the government policies that restricted their ability to work in the formal labor markets. Because employers in informal markets are not subjected to wage or insurance requirements they are able to pay workers lower wages than employers in formal markets. Wages are further suppressed due to the fact that most refugees did not possess valid residency permits and had no additional options for earning income other than accepting low paying jobs in the informal economy. Using the 2010 JLMPS, I test this explanation by using data on whether an individual’s income was earned in a formal or informal market. Table 2 includes the results from a linear probability model that estimates the probability that a worker is employed in a formal labor market. These results indicate that Iraqis who found employment were 48 percentage points less likely than Jordanian workers to be employed in a formal market. This result is statistically significant at the 95 percent confidence level. Among all of the Iraqis who were

employed, approximately 85 percent worked in an informal market. This is much higher than the 37 percent of Jordanian workers who found employment in informal markets. This empirical evidence demonstrates that Jordan's informal economy was relatively large and that it became an important institution for many Iraqi refugees who had few other options for earning an income.

Although work in the informal economy served as a way to circumvent the government imposed restrictions, the lack of worker protection in these markets came at a cost to the Iraqis. A UNHCR report described the difficulties many refugees faced, stating: "most Iraqis can only find work in the informal sector, where they are at risk of exploitative and dangerous conditions of employment. The income and assistance they receive is barely adequate to pay the high costs of rent, utilities and other essentials."⁹⁰ Left with few other options, many Iraqis chose to endure these hardships rather than return to Iraq.

Overview of Characteristics

As is the case in most refugee situations, information on the characteristics of refugee populations is hard to come by. This is an even greater challenge when refugees are not controlled in camps, but rather are left to settle amongst existing local communities. When Iraqi refugees fled to Jordan there was initially very little accounting of the number, demographics, and needs of the refugees. In fact, the reluctance to officially recognize the Iraqis as refugees contributed to this lack of accountability. Jordan's long history as a refugee-receiving nation factored into the minds of Jordanian

⁹⁰Crisp, "Surviving in the City," 17.

policymakers who feared that granting legal refugee status to Iraqis would overwhelm Jordan's already fragile social and economic structures. Likewise, the Iraqis resisted being labeled as refugees due to the cultural stigma associated with the term, although many did not know that being recognized as a refugee entitled them to certain rights that they were initially denied.

It wasn't until 2007, when the refugee population became massive that Jordan determined that it needed to better understand the scope of the situation that it was facing. Fortunately the Fafu study offered a detailed look into the refugee population, but for reasons previously stated some of its findings remained questionable. In an attempt to resolve some of this uncertainty, I have analyzed a separate data set constructed three years after the Fafu study that allows for the measurement of many of the same characteristics. Overall, both sources offer similar descriptions of the Iraqi refugees. Perhaps the most striking differences between the Iraqi refugees and the Jordanian population are that the refugees are on average wealthier and more highly educated. This, however, did not translate into economic success for the refugees. Due to government imposed labor restrictions, most Iraqis were unable to find work. Those refugees who did become employed earned significantly lower wages than comparable Jordanians and were much more likely to work in the informal economy. Now that I have provided an understanding of the makeup of the Iraqi refugee population and the constraints imposed upon them, I will shift the focus to Jordan's economy and explore how it fared as a result of the refugee crisis.

Economic Impacts of the Iraqi Refugees

A common perception held by the Jordanian people was that the refugees were the cause of the deterioration in the quality of life in Jordan such as rising prices, unavailable and prohibitively expensive housing, deteriorating public services, and high rates of unemployment.⁹¹ Little evidence has been provided, however, to support the notion that the Iraqi refugees were in fact the cause of Jordan's economic distress. While it is true that Jordan's macroeconomic conditions generally worsened over the period of time that the Iraqi refugees resided in Jordan, other factors changed as well that could have potentially contributed to the faltering economy. In this section I analyze the changes in inflation, unemployment, and wages that occurred in Jordan and estimate the extent to which the Iraqi refugees contributed to the deteriorating economic conditions.

Inflation

One of the most widely voiced economic concerns of the Jordanian people was the rise in prices that corresponded with the presence of the refugees. Figure 3 charts the growth of Jordan's consumer price index from 2000 to 2010. Inflation in Jordan was relatively stable prior to the arrival of the refugees, but increased significantly afterwards. In the year 2008 alone prices rose by 14 percent.⁹² Mukhaimer Abu Jamous, the former Secretary General of the Ministry of Interior of Jordan attributed this inflation to the Iraqi

⁹¹Fagen, "Iraqi Refugees," 12.

⁹²Jordan Department of Statistics.

refugees stating: “the increasing demand on all services has resulted in the rise of inflation and pressure on our national economy.”⁹³

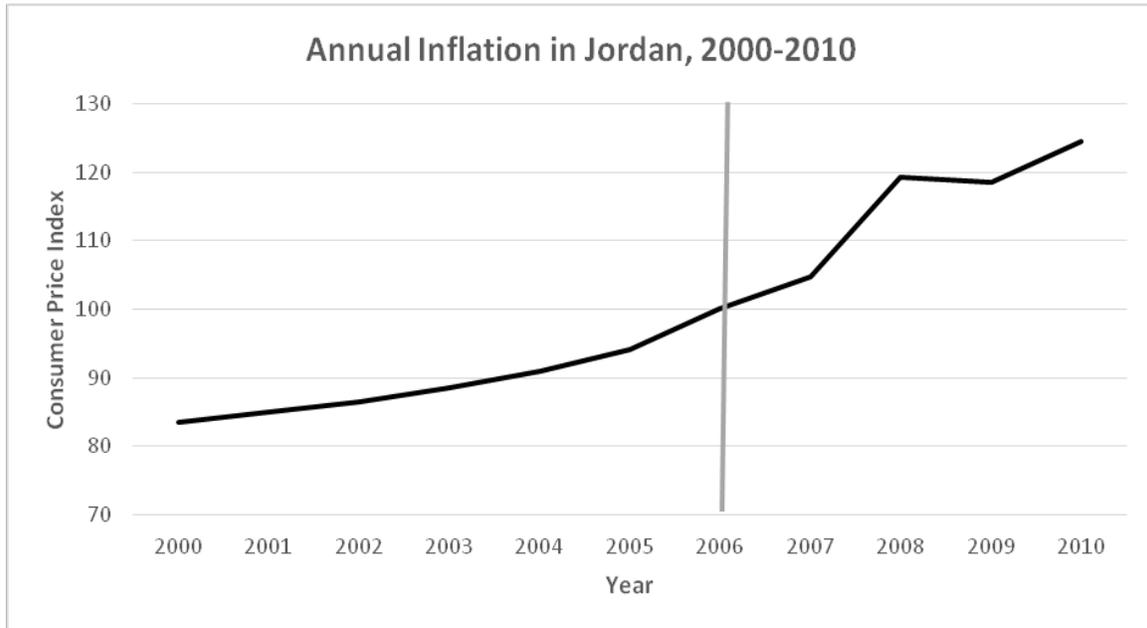


Figure 3. Inflation in Jordan, 2000-2010

Source: Jordan Department of Statistics, “Employment and Unemployment Survey,” http://www.dos.gov.jo/dos_home_e/main/ (accessed 24 November 2013).

The theory behind Jamous’s claim is relatively straightforward. As refugees enter Jordan they begin to purchase goods and services. Jordanian producers, now facing an increased demand for their products, see their inventories depleting faster than expected. In order to compensate for this, they raise their prices. As this happens throughout the

⁹³Mukhaimer Abu Jamous, “The World Must Shoulder Iraq Refugee Burden,” *Forced Migration Review*, (Special Issue, June 2007): 17, <http://www.fmreview.org/en/FMRpdfs/Iraq/full.pdf> (accessed 14 January 2014).

economy, general price levels rise and the value of the Jordanian dinar is eroded. In the long-run, wages will adjust to offset the increase in prices, but for individuals without a job or those who live off of a fixed-income, inflation can be especially detrimental. Individuals who hold much of their wealth in the form of nominal assets such as cash, find that the same amount of money is able to purchase fewer goods and services over time as prices continually rise.

An examination of the change in prices of different types of goods can provide a better understanding of the main drivers of Jordan's inflation. Figure 4 shows the growth in prices from 2006 to 2010 divided into the four major categories that Jordan uses to calculate its consumer price index: food items, clothing and footwear, housing, and other goods and services. The greatest rise in prices was seen in the sale of food items. Over this time period the price of food in Jordan rose by 38 percent. Such a sharp rise in the price of food can be particularly harmful for the poorest members of society because they already spend such a high percentage of their income on food, leaving only a small fraction of their budget to purchase other goods. Housing costs also significantly increased, rising 18 percent over this time period. Some of the increase in housing costs was driven by the price of rents, which rose 9 percent over this period, but much of the increase was a result of the 45 percent rise in fuel and electricity prices.⁹⁴

⁹⁴Jordan Department of Statistics, *Price Indices*, http://www.dos.gov.jo/dos_home_e/main/ (accessed 12 December 2013). In Jordan's Consumer Price Index 'Rents' and 'Fuels and Lighting' are both subcomponents of the 'Housing' category.

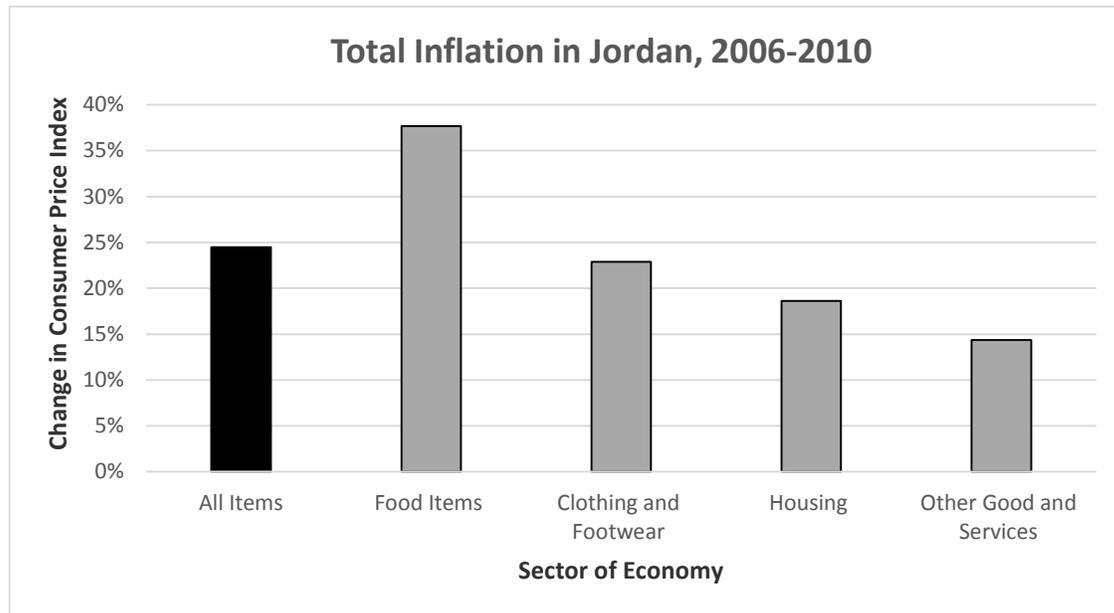


Figure 4. Total Inflation in Jordan by Category, 2006-2010

Source: Jordan Department of Statistics, “Price Indices,” http://www.dos.gov.jo/dos_home_e/main/ (accessed 12 December 2013).

Although prices have certainly risen in Jordan, the reason for this is more complex than simply attributing the inflation to the presence of the Iraqi refugees. As noted by a 2007 study conducted by the University of Jordan’s Center for Strategic Studies, there were external factors and changes to government policies that also contributed to the rising prices in Jordan. One of the reasons food prices rose so much was due to large increases in food exports to Iraq that primarily went to feed the U.S. Army.⁹⁵ To satisfy the domestic demand for food, Jordan had to begin importing an

⁹⁵Saif and DeBartolo, “The Iraq War’s Impact on Growth and Inflation in Jordan,” 7.

increased amount of food products, which were more costly than the locally produced goods.

The rising fuel prices have also partly been a consequence of external factors, one of which was the termination of low-cost subsidized oil from Iraq.⁹⁶ Oil purchased from other nations through the world market was far more costly for Jordan and resulted in large increases in the amount that Jordan spent on fuel and petroleum. Since oil and gas are inputs in the production of so many goods and services, increases in the prices of these commodities led to higher prices throughout much of the economy. In 2006 alone the price that Jordan paid for oil increased by 29 percent.⁹⁷ Even though the price of oil began to rise for Jordan in 2003 soon after the onset of the war in Iraq, Jordanians were initially shielded from these costs by a government policy that subsidized consumers' fuel purchases. These subsidies, however, were extremely expensive and as a result of the large fiscal costs of this policy, the subsidies were significantly reduced in 2006.⁹⁸ For this reason, fuel prices in Jordan rose concurrent with the influx of Iraqi refugees, though they had little to do with it.

Although the refugees seem to be an easy scapegoat to blame for the growth of inflation, the previously described factors have contributed to the rise in prices as well. So then, how much of the inflation can be attributed to the presence of the Iraqi refugees? In order to answer this question one cannot simply measure the rate of inflation that occurred in conjunction with the migration of the Iraqi refugees into Jordan—prices would

⁹⁶Ibid., 16.

⁹⁷Ibid.

⁹⁸Ibid., 18.

have rose even in their absence. In order to determine how much of this was due to the influx of refugees, a valid control group is necessary to measure price changes in areas that differed with respect to refugee presence. Because the Iraqi refugees were primarily concentrated within two main governorates in Jordan it is possible to analyze price changes across areas that did and did not contain refugees.

To do this I use the merged Jordan HEIS. As a proxy for price changes (which are not directly measured in this dataset) I use changes in household expenditures. By measuring the changes in how much households spend in certain categories it is possible to estimate the amount of the increase in spending that was due to the presence of refugees. Although not a perfect measurement because price changes may induce substitution, the goods that have raised concern (food, gas, electricity, and rent) are relatively inelastic, and thus we would not expect increases in prices to lead to large changes in the quantities consumed.

Using the expenditure data I conduct a two-period difference-in-difference ordinary least squares regression analysis in order to estimate the partial expenditure changes that are due to the presence of refugees. The regression equation takes the following form:

$$(1) \quad Y_{ijt} = \beta_0 + \beta_1 \text{REF} * 2010 + \beta_2 \text{REF} + \beta_3 2010 + \beta_4 X_{ijt} + \mu_{ijt}$$

Y_{ijt} is the amount of expenditures of household i in governorate j during year t , $\text{REF} * 2010$ is an interaction term that identifies if an observation occurred in a refugee-hosting governorate in 2010, REF is a dummy variable indicating if the observation came from a refugee-hosting governorate, 2010 is a dummy variable indicating if the observation occurred in 2010, X_{ijt} controls for household characteristics that may affect the outcome

variable, and μ_{ijt} represents the error term. The expenditure values have been converted into their natural logarithms in order to interpret the results in terms of the percentage change. The advantage of this identification strategy is that it controls for time-variant macroeconomic changes as well as time-invariant governorate specific differences. In other words, changes such as the government reductions in fuel subsidies affected the cost of fuel to consumers, but because they are applied equally across the country the increase in expenditures resulting from this change in policy is differenced out of the analysis. This equally applies to other country-level unobservable factors which affected expenditures over the time period analyzed. Furthermore, governorate-specific characteristics such as geography may influence expenditures. For example, rural populations may grow much of their own food and spend less on food than urban consumers. These differences, which remain constant over time, are controlled for in the regression because it measures the change in expenditures as opposed to the level. The variation in the independent variable comes from the fact that Iraqi refugees were located in some areas and not others, allowing the estimated change in expenditures to be attributed to their presence.

Table 3 lists the results of this analysis with respect to four specific categories of expenditures—food, clothing and footwear, electricity and gas, and housing rentals. The regression estimates that, *ceteris paribus*, the presence of Iraqi refugees was associated with increased spending in each of the four categories, although the estimates for housing rentals are not statistically significant. The results show that food expenditures increased 12 percent as a result of the refugees' presence. Although the refugees did contribute to rising food prices in Jordan, the effect that they had was only a fraction of the 37 percent

total increase in food prices that occurred over the time period analyzed. Similarly, the price of clothing and footwear rose 23 percent from 2006-2010, but expenditures in this category directly attributable to the refugees only rose by 9 percent. The increase in the price of electricity and fuel was also a concern because of its wide-spread use throughout the economy. This analysis shows that the Iraqi refugees were responsible for 5 percent of the increased expenditures in this category, a small portion of the overall 45 percent rise in prices in this category. This indicates that rising world oil prices, the loss of low-cost Iraqi oil, and the elimination of government oil subsidies had far more to do with the rise in fuel and electricity costs than did the presence of the Iraqi refugees.

Table 3. Estimated Effect of Iraqi Refugees on Spending in Jordan, 2006-2010

Variable	Dependent Variable							
	Food Expenditures		Clothing and Footwear		Electricity and Gas		Housing Rentals	
	I	II	I	II	I	II	I	II
Iraqi Refugees	0.1276** (0.0310)	.1226** (.0295)	0.0894* (0.0534)	.0901* (.0501)	.0473* (.0254)	.0438* (.0247)	0.0287 (0.0688)	.0289 (.0688)
Refugee	.0103 (.0229)	.0421* (.0218)	.0625 (.0393)	.1204** (.0369)	.1891** (.0188)	.2092** (.0183)	.4204** (.0494)	.4199** (.0494)
Governorates	.3400** (.0231)	.3729** (.0220)	-.1983** (.0397)	-.1440** (.0373)	.0044 (.0189)	.0253 (.0185)	.1968** (.0551)	.1968** (.0551)
2010 Dummy		.0743** (.0031)		.1464** (.0053)		.0466** (.0026)		-.0050 (.0078)
Household Members								
R-squared	.12	.20	.01	.13	.05	.10	.14	.14
Observations	5741	5741	5636	5636	5741	5741	1238	1238

Source: Economic Research Forum, “Jordan Household Expenditure and Income Survey 2006,” <http://www.erfdportal.com> (accessed 14 January 2014); Economic Research Forum, “Jordan Household Expenditure and Income Survey 2010,” <http://www.erfdportal.com> (accessed 14 January 2014).

Notes: Coefficients are estimated from a two-period difference-in-difference model of the effect of Iraqi refugees in Jordan on the dependent variable. Coefficients are weighted using sampling weights provided with the 2006 and 2010 Jordan HEIS. Standard errors appear in parenthesis.

*p<.1, **p<.05

The results for the refugees' impact on housing rentals is somewhat more difficult to interpret. The regression model estimates that the refugees did not have a major impact on rental prices. This is surprising considering the vast amount of refugees who acquired housing on the local economy. With the presence of the refugees greatly increasing the demand for housing, one would expect rental prices to rise sharply, relative to other parts of the country. One possible reason this is not shown in the data is due to Jordan's landlord-tenant law which gives favorable terms to tenants who continue to live in the same apartment, limiting the amount that their rents can be raised.⁹⁹ Because most of the households in the survey remained in the same home over the four-year period that is analyzed, the data does not necessarily reflect the rise in household expenses that many Jordanians who purchased or rented new apartments or homes would have incurred.

These results contest the dominant narrative that the Iraqi refugees were the cause of the rampant inflation that occurred in Jordan. Although the refugees contributed partially to the rise in prices, a number of external factors including the increased demand for exports and changes in the global oil market were responsible for much of the inflation. It is not surprising, however, that the Iraqi refugees were seen as the cause of this problem. As Jordan began to worry that the large number of refugees would become a detriment to the economy, this rise in prices only confirmed their fears. A lack of detailed data and analysis, however, prevented the government from truly understanding the problem.

⁹⁹Saif and DeBartolo, "The Iraq War's Impact on Growth and Inflation in Jordan," 20.

Unemployment

I next turn to the impact that the Iraqi refugees had on unemployment in Jordan. A major concern among policymakers in Jordan was that the refugees would be willing to work for wages lower than the going market rate, thus taking jobs away from Jordanian citizens. Due to this concern, Iraqis were only allowed to work if they could prove that their job would not replace an existing job already being performed by a Jordanian citizen. This policy greatly limited the ability of most refugees to gain employment in the formal Jordanian labor market. If this policy had worked as intended then we would not expect the presence of the refugees to adversely affect the employment situation in Jordan. Enforced perfectly, these labor laws would at worst leave the unemployment rate among Jordanians unchanged as no jobs would be lost to the refugees. At best, this policy would lead to a reduction in the unemployment rate as the refugees would increase the demand for goods and services, leading businesses to expand production and hire more Jordanian workers.

Figure 5 traces the unemployment rate from 2002 to 2010, separated by Jordanian Governorates with and without refugees. Prior to the arrival of the Iraqi refugees the unemployment rate in the two groups trends very similarly. After the refugees arrived in Jordan, however, the unemployment rates take on different paths. While the governorates without refugees saw a continuous reduction in the unemployment rate from 2006 to 2010, the governorates with the Iraqi refugees had an initial decline followed by a rise in unemployment over this time period. The convergence of these two paths indicates that the presence of the refugees may have impacted employment to the detriment of the Jordanian labor market.

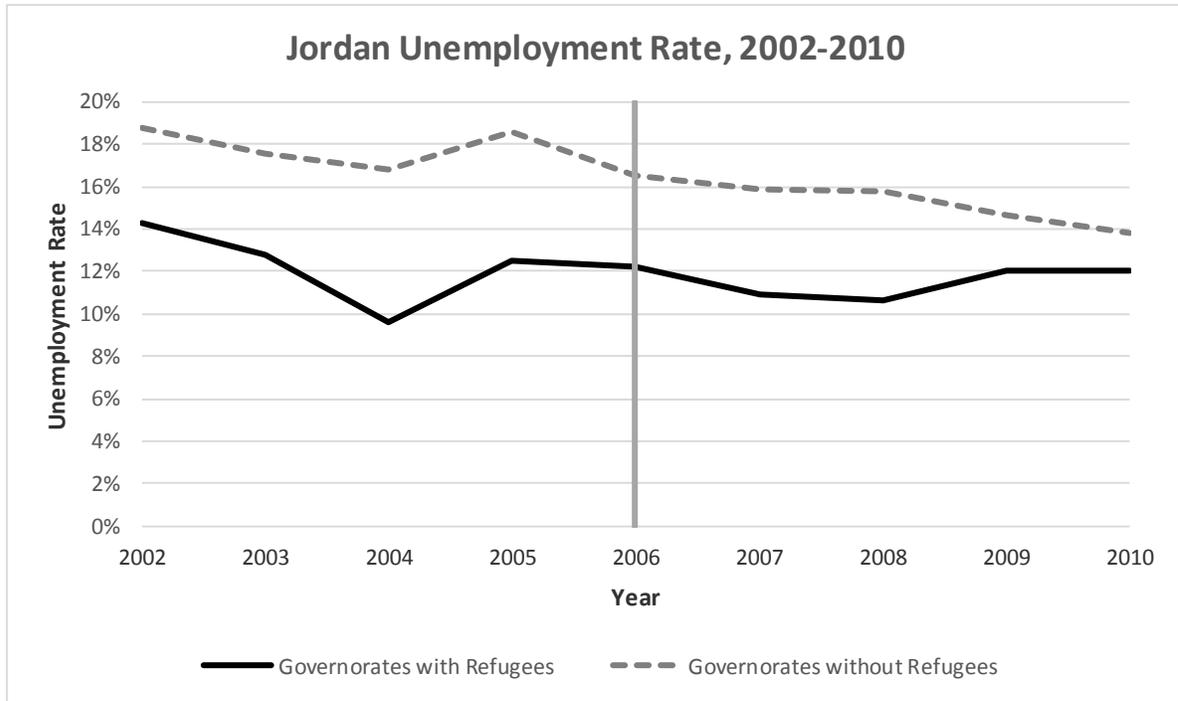


Figure 5. Unemployment Rate in Jordan, 2002-2010

Source: Jordan Department of Statistics, “Employment and Unemployment Survey,” http://www.dos.gov.jo/dos_home_e/main/ (accessed 24 November 2013).

To test this empirically, I conduct an ordinary least squares regression using data from the Jordanian Department of Statistics on the annual unemployment rate by governorate in Jordan over the time period 2002 to 2010. This regression exploits the variation in the location of refugees in order to estimate the effect of the presence of refugees on the unemployment rate. To control for time-invariant differences in governorates that effect the unemployment rate I have included a fixed-effect at the governorate level.¹⁰⁰ To control for time-varying events that affect the general

¹⁰⁰For example, due to differences in local economic conditions, some governorates consistently have higher unemployment rates than others.

unemployment rate of Jordan I have included year fixed-effects.¹⁰¹ The standard errors of the estimates are robust and clustered at the governorate level.¹⁰² The equation used in this estimation is:

$$(2) \quad Y_{jt} = \beta_0 + \beta_1 \text{REF}_{jt} + \alpha_j + \lambda_t + \mu_{jt}$$

Y_{jt} is the unemployment rate of governorate j during year t , REF_{jt} is a dummy variable indicating the presence of Iraqi refugees in governorate j during year t , α_j are governorate fixed-effects, λ_t are year fixed-effects, and μ_{jt} represents the error term. The results of this analysis, shown in Table 4, estimate that ceteris paribus, the presence of Iraqi refugees in Jordan led to a 1.87 percentage point increase in the unemployment rate in the Jordanian governorates with refugees over this time period. This result is statistically significant at the 95 percent confidence level. As a robustness check on this estimate I conduct the same analysis, but weight the governorates by their population to account for the fact that increases in unemployment in heavily populated governorates leads to a higher number of persons that become unemployed. The results show a similar increase in unemployment (1.64 percentage points) and remain statistically significant.

How could the refugees have contributed to greater unemployment given a policy designed to prevent this from occurring? One possible explanation is that that the policy was not effectively enforced and the refugees who were given permits to work were in fact taking jobs away from Jordanian workers. Considering the difficulty reported by

¹⁰¹One such event is the supply shock that occurred across Jordan's economy due to the increased price of oil.

¹⁰²This is necessary because certain events may effect a governorate's unemployment rate over multiple time periods.

refugees of obtaining work permits and the relatively small number of refugees who actually were granted the right to work, this explanation is not sufficient.

Table 4. Estimated Effect of Iraqi Refugees on Unemployment, 2006-2010

Variable	Unweighted Sample		Weighted by Governorate Population	
	Coefficient	Standard Error	Coefficient	Standard Error
Refugees	1.87**	.70	1.64**	.57
Governorate fixed-effects		yes		yes
Year fixed-effects		yes		yes
R-squared		.78		.85
Observations		108		108

Source: Jordan Department of Statistics, “Employment and Unemployment Survey,” http://www.dos.gov.jo/dos_home_e/main/ (accessed 24 November 2013).

Notes: Coefficients are estimated from an ordinary least squares regression model of the effect of Iraqi refugees on the unemployment rate in Jordan. Data on population by governorate is of the year 2006.

**p<.05

A more probable explanation of the impact on unemployment is that many refugees were in fact working, just not legally. Many Iraqis who saw no prospect of obtaining legal work turned to the informal labor market to find employment. As was previously estimated from the survey data, 85 percent of all working refugees were earning their income in informal markets. Employers were able to hire the refugees at wages well below what the average Jordanian worker earned. Absent any sort of legal protection, most refugees had no other option than to accept these low paying jobs where they were frequently taken advantage of and mistreated. Iraqi refugees working in the informal economy reduced employment both directly, by replacing Jordanians who worked in informal markets, and indirectly, by undercutting the profits of formal business

through the provision of discounted labor to their informal competitors. The government's protectionist labor policy had the unintended effect of increasing informal market production which ultimately reduced Jordanian employment.

The fact that the refugees were greatly increasing informal market production was not an unknown phenomenon. As early as 2007, media reports had identified that the illegal employment of Iraqi refugees was undercutting the wages of ordinary Jordanians and reducing employment in the formal labor market.¹⁰³ Mustafa Abdel-Kadder, a spokesman for the Association of Iraqis in Jordan, described the Iraqis' situation stating, "Iraqis who are educated can easily get good jobs in the black market but they are not well paid, and are exploited by working longer hours without being compensated."¹⁰⁴ These same sentiments were repeatedly expressed by Iraqis who were interviewed by the group Human Rights Watch, with one refugee describing his situation stating: "I get exploited because if I were a Jordanian I could charge much more for my work. As a refugee, I often do not get paid or just receive a token amount."¹⁰⁵ Another refugee voiced a similar concern saying, "Most of the places I work, because I am Iraqi and don't have work permission, they wait until the end of the month, and then they fire me without pay. This happened to me four times."¹⁰⁶ Despite the available evidence to indicate that the existing government policies towards the Iraqi refugees were having

¹⁰³"Iraq-Jordan: Iraqis cause black market for jobs," *IRIN*, 28 March 2007, <http://www.irinnews.org/report/71004/iraq-jordan-iraqis-cause-black-market-for-jobs> (accessed 11 January 2014).

¹⁰⁴*Ibid.*

¹⁰⁵Frelick, "The Silent Treatment," 55.

¹⁰⁶*Ibid.*, 54.

counterproductive effects, the Jordanian government made no effort to modify these laws.

One reason for this may have been that Jordanian policymakers believed that allowing the refugees to have unrestricted access to the labor market would have produced even greater deleterious effects on the Jordanian economy. Although this is theoretically possible, there are reasons to believe that opening employment opportunities to the refugees would have been beneficial in this case. If the refugees had been employed in formal markets, then they would have been subject to the same wage laws that governed pay to Jordanian citizens. This would have greatly reduced the incentive for employers to illegally hire refugees at below the minimum wage. This is not to say that employers would still not have preferred refugees to native laborers in some cases, but only that refugees would no longer be a relatively cheaper source of labor. This likely would have reduced the number of jobs lost as employers substituted between Jordanian and Iraqi workers. Additionally, greater employment in the formal sector would have increased revenues to the government in the form of taxes on the workers' income and on the sale of the goods and services produced. This additional revenue could then have been used to offset the expenses of supporting the refugees that were incurred by the government.

Allowing legal employment of Iraqi refugees would have also likely increased aggregate demand in Jordan's economy, providing for greater economic growth. Producers in the Jordanian economy benefited from the increase in demand for their products that occurred as a result of the presence of the refugees. Many of the Iraqi refugees were relatively wealthy when they arrived in Jordan and initially had the means

to support a high standard of living. Those who were unable to work, however, depleted their savings, leading to a reduction in their consumption spending.¹⁰⁷ Refugees without a job and with few other means for providing for themselves and their families became reliant on government services and contributed little to the economy. Denying most of the refugees the ability to earn a legal income greatly limited the amount that they were able to spend on Jordanian goods and services, ultimately slowing the growth of Jordan's economy.

Wages

The final analysis that I conduct examines how wages were affected by the refugees. The dominant narrative which blamed the Iraqi refugees for rising unemployment also claimed that their presence drove down wages for Jordanian workers. This story is consistent with the basic neoclassical economics model of the labor market which predicts that an increase in the supply of labor will lead to greater competition for jobs, resulting in workers accepting lower pay. The logic implies that as firms identify that there is an abundance of available workers, they realize that they can offer less in wages and still hire the same amount of workers.¹⁰⁸ This explanation is intuitive, but as was shown in Chapter 2, empirical tests have produced varying results.

The Jordanian government's restrictions on granting work permits to Iraqis was an effort to protect the existing wage rates in the labor market, but as has already been identified many Iraqis found employment in informal markets which grew as a result of

¹⁰⁷International Crisis Group, "Failed Responsibility," 8.

¹⁰⁸The model also predicts that as labor becomes relatively less expensive, firms will substitute from capital to labor and hire more workers.

the government policy. Given the labor restrictions and the resulting growth in the informal labor markets, what effect did the Iraqis have on wages? To test this, I again draw on the Jordan HEIS and conduct a two-period difference-in-difference ordinary least squares regression analysis using equation (1) as previously described, with the dependent variable becoming the natural log of gross wages. The results in Table 5 show that both with and without the control variables included in the model, there is not a statistically significant effect of the presence of refugees on wages. Although both point estimates are close to zero, the standard errors are relatively large. It is important to note that failing to detect an effect does not mean that there was not one, only that the model is unable to confidently predict that the effect was not zero.

Table 5. Estimated Effect of Iraqi Refugees on Wages, 2006-2010

Variable	Full sample		Low-skilled workers		High-skilled workers	
	I	II	I	II	I	II
Iraqi Refugees	.0085 (.0495)	-.0197 (.0472)	-.0802 (.0602)	-.0553 (.0595)	.1223 (.0822)	.0817 (.0784)
Refugee Governorates	.0562 (.0365)	.0089 (.0349)	.0326 (.0446)	.0002 (.0441)	.0277 (.0594)	.0146 (.0570)
2010 Dummy	.3090** (.0367)	.3233** (.0350)	.3850** (.0430)	.3676** (.0425)	.2003** (.0643)	.2209** (.0615)
Household Controls	no	yes	no	yes	no	yes
R-squared	.04	.13	.05	.08	.04	.13
Observations	4123	4123	2582	2582	1541	1541

Source: Economic Research Forum, “Jordan Household Expenditure and Income Survey 2006,” <http://www.erfdataportal.com> (accessed 14 January 2014); Economic Research Forum, “Jordan Household Expenditure and Income Survey 2010,” <http://www.erfdataportal.com> (accessed 14 January 2014).

Notes: Coefficients are estimated from a two-period difference-in-difference model of the effect of Iraqi refugees in Jordan on wages. Coefficients are weighted using sampling weights provided with the 2006 and 2010 Jordan HEIS. Standard errors appear in parenthesis.

**p<.05

In fact, it is likely the case that the effect on wages varied for different groups of Jordanians. A more nuanced analysis of the labor market takes into account the differentiation of the skill levels among those who add to the labor supply. Workers who possess the same levels of skill and education as the native population are substitutes to the existing labor force, whereas those with different skill and education levels can complement the labor force without replacing current workers. Typically, the most vulnerable workers tend to be those with the lowest skill levels because they are so easily replaceable. High-skilled workers are much more difficult to replace because they possess levels of both general and specific human capital that require a significant investment to accumulate. The large influx of Iraqi refugees into Jordan then likely had the greatest impact on wages among those Jordanians who were relatively low-skilled, many of whom had to compete directly with the refugees for jobs.

Although the Iraqi population in Jordan contained a considerable number of highly educated refugees there are reasons to believe that similarly highly educated Jordanians would not be adversely affected. First, as has already been shown, many highly educated Iraqis took jobs that were well below their skill level. Second, many high-skilled Iraqis who worked or started their own business did so in sectors of the economy that were not thought to compete with existing Jordanian businesses, even complementing them in many cases. Third, many wealthy Iraqis did not have to rush to find a job, but spent the money they brought with them in the Jordanian economy adding to the profits of existing businesses.

I attempt to separate the effect on wages between workers of different skill levels by dividing the sample into a low-skilled and high-skilled group of workers. Low-skilled

workers are identified as those workers who have less than a secondary education, with high-skilled workers having at least completed secondary education. The estimates from the regressions show that the refugees had a negative impact on the wages of low-skilled workers and a positive impact on the wages of high-skilled workers, although the results are not statistically significant. If the signs of the point estimates are correct, however, then it does appear that the effect that the refugees had on wages was not homogeneous throughout the economy. Low-skilled Jordanian workers did have to compete with the Iraqi refugees in both the formal and informal labor markets, while high-skilled Jordanians appear to have seen an increase in wages due to their presence.

An illustration of how wages were impacted, depending on a worker's skill level can be seen in Figure 6. The chart shows the change in nominal yearly wages between 2006 and 2010 for the governorates that did and did not contain refugees. The nominal wages of all groups of workers grew throughout this time period, partially as a result of the inflation throughout Jordan's economy. The data reveals, however, that the growth in wages looked very different when separated by governorates. In the governorates that did not contain refugees, wages among low-skilled workers rose by 42 percent, while they only rose by 34 percent in governorates that contained the refugees. If wage growth among low-skilled workers would have been similar throughout the country in the absence of the refugees, then this gap in wage growth indicates that the competition brought by the Iraqis in the low-skilled labor market did in fact hold down wage growth. The data on wages of high-skilled workers shows the opposite effect. Wages rose by 17 percent for high-skilled workers in non-refugee-hosting governorates, while they rose by

31 percent in the governorates with refugees, indicating that high-skilled workers may have benefited from the refugee presence.

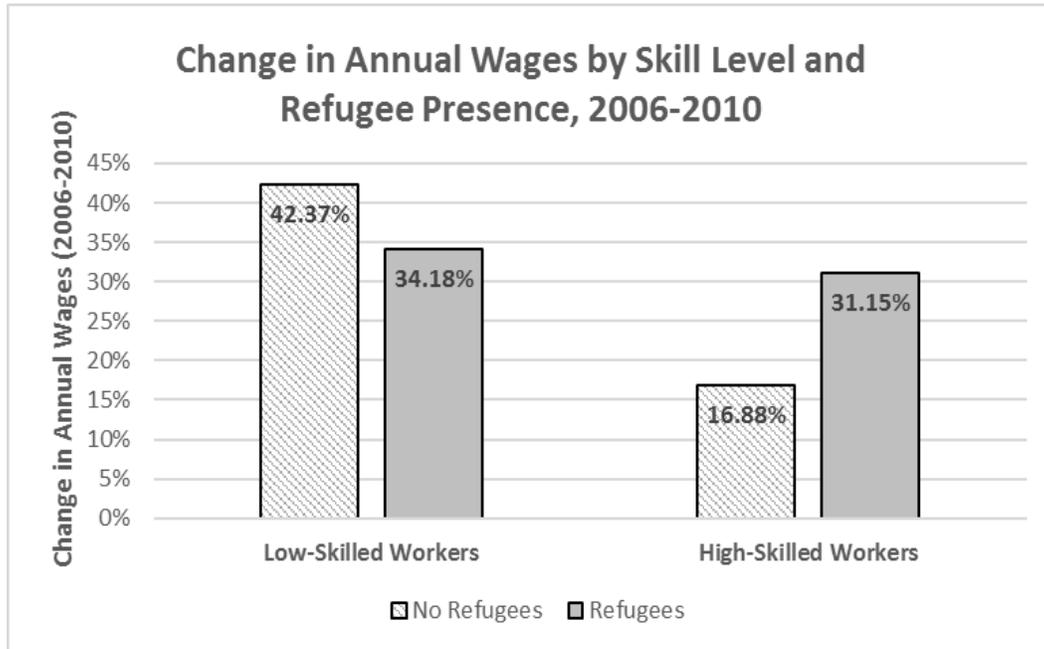


Figure 6. Change in Annual Wages by Skill Level and Refugee Presence

Source: Economic Research Forum, “Jordan Household Expenditure and Income Survey 2006,” <http://www.erfdataportal.com> (accessed 14 January 2014); Economic Research Forum, “Jordan Household Expenditure and Income Survey 2010,” <http://www.erfdataportal.com> (accessed 14 January 2014).

Because highly educated workers are more likely to be employed in managerial and executive positions or to be business owners themselves, they have a great potential to benefit when an exogenous shock to an economy greatly increases the demand for the products they sell. This is what happened in the Amman and Zarqa governorates when the Iraqi refugees arrived. Although low-skilled workers faced increasing competition for

the refugees, businesses were able to profit from their presence, with some of those profits being passed along to high-skilled workers.

Conclusion

The dominant narrative that described the effect of the Iraqi refugees on Jordan's economy claimed that their presence led to rampant inflation, a loss of jobs, and lower wages for Jordanian workers. As I have shown throughout this chapter, although the refugees did adversely impact the economy to some extent, the perception that they were a massive economic burden is overstated and fails to account for other factors that affected Jordan's economy. As is usually the case when exogenous factors alter the economic conditions of a nation, some Jordanians fared better than others as a result of the refugee's presence. Because the focus of the dominant narrative has been primarily on the costs associated with the refugees, the benefits have been almost entirely obscured. This analysis helps to provide a better understanding of how Jordan's economy fared as a result of the refugees given the government policies that greatly limited their options.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

Understanding Jordan

Gaining an understanding of the true impact that refugees have on hosting nations is a difficult task. When refugees are housed in camps in relative isolation from the broader population their effects are somewhat visible. When they are dispersed among existing local communities it becomes far more challenging to isolate the impacts of the refugees from changes that occur as a result of broader national or regional trends. The case that I explored throughout this paper demonstrates the ease at which changing economic conditions can be wrongly ascribed to the presence of a refugee population. When the Iraqi refugee population surged in 2006, economic conditions in Jordan began to deteriorate. Prices across the economy rose, unemployment was high, and many perceived their wages as being too low. All of this was broadly attributed to the large Iraqi refugee population that was seen as a growing burden on Jordanian society. As I have shown throughout this paper, this common perception was incorrect. Various other factors related to the global oil market and the war in Iraq were responsible for much of the inflation that occurred. Unemployment in Jordan was high before the mass influx of refugees and it remained high throughout their stay. The wages of low-skilled Jordanian workers were held down by the refugees, although high-skilled workers saw their wages grow as a result of the refugees' presence.

Jordan deserves credit for initially welcoming the Iraqis who fled across the border to escape the conflict and instability that existed in their home country. Many middle and upper-class Iraqis who had the means to transport their families to Jordan did

so, often bringing with them considerable amounts of wealth. The Jordanian government, along with many of the Iraqis, expected their stay to be temporary and planned for the refugees to return to Iraq as soon as the security situation improved. But as the refugee population grew and economic conditions in Jordan began to falter, domestic attitudes towards the Iraqis changed and the country was no longer as welcoming to their guests as they had once been. Residency and employment restrictions were implemented in an effort to subdue the perceived harm that the Iraqis were causing to Jordan's economy. Although these policies resulted in numerous unintended outcomes, the implementation of these restrictions was not an unexplainable deviation from Jordan's historical acceptance of refugees. In fact, given the belief that the refugees had become detrimental to Jordan's economy, the policy changes demonstrated a rational response to these perceived threats. If the Iraqis were responsible for rising prices, denying their residency and forcing their departure could alleviate this strain on the economy. If their presence in the labor market threatened Jordanian jobs and drove down wages, restricting their ability to gain employment would protect Jordanian workers. On the surface, the problem was clear. A massive influx of refugees placed an enormous burden on a hosting nation that was trying to delicately balance its humanitarian concerns for the refugees with its own domestic interests. The costs borne by the host nation became far too high, forcing the government to change its policies in order to protect its people.

This is the dominant narrative that currently exists in the international community. It is this narrative that has led to refugee camps becoming the prevailing response to most

displacement situations by both host states and the international community.¹⁰⁹ States see the economic burden of local integration as too high and the security concerns as too risky. Refugees dispersed among local communities are hard to account for, whereas those housed in camps are easier to control and more visible to the international community. Requests for aid are easier to justify when refugees are housed in camps than when they become integrated into parts of society. This narrative, I argue, is wrong and contributes to the implementation of sub-optimal refugee policies. Until the international community better understands the impacts that refugees have on host nations, across an array of varying conditions, this dominant narrative will persist.

Research regarding the success and failure of policies that adopt local integration of refugees can provide insight into the most effective ways for governmental and non-governmental actors to assist in managing refugee crises. This study suggests that, in the case of Iraqi refugees in Jordan, there was potential for the refugees to contribute to the host nation economy in ways that would have been beneficial to Jordan, on the whole. The policies that were implemented to protect Jordanian society had the unintended outcome of placing the refugees in a precarious legal status that forced many of them into the informal economy, where their impact was hidden, but nonetheless real. The Iraqi refugee population was on average relatively highly educated and if properly integrated could have contributed to Jordan's economic productivity. Surely some Jordanians would have lost their jobs or saw their wages reduced, but new businesses and additional jobs

¹⁰⁹Tara Polzer, "Negotiating Rights: The Politics of Local Integration," *Refuge* 26, no. 2 (2009): 94.

would have been created, providing greater revenues to the government and additional benefits to society.

Role of Refugee Protection Organizations

This trend towards encampment away from local integration has been further promoted by the organizations created to provide for the refugees' protection. An institutional causal logic within this community leads to a favoring of camps relative to other options. Some of the factors that contribute to the dominant tendency towards encampment include: specialized bureaucratic practices that promote the necessity of the organization; the common perception that responsibility for refugee protection should lie with a centralized institution, rather than be dispersed among local communities; an overwhelming focus on the cost of refugees with little attention given to the potential benefits; and a reliance on blueprint solutions and standardized procedures that are executed without much consideration of the local dynamics of each situation.¹¹⁰ Although these organizations are well-intentioned, perverse incentives exist within the humanitarian aid system that obstruct optimal policies from being introduced.

The practices of refugee protection organizations have created a default response to refugee situations which gives little consideration to the possibility of integrating refugees into host nation communities. These institutional practices, which have shaped the culture of the refugee protection community, have unintended consequences that must be taken into account. In addition to posing an increased security risk, long-term

¹¹⁰Ibid., 95.

encampment limits the ability of refugees to contribute to the host nation economy.¹¹¹ Broad-based assumptions and overly general institutional procedures adopted by these organizations fail to account for the varying conditions that describe each unique refugee situation. Adherence to these practices leads to ineffective policy and can even exacerbate violence. In order to move beyond a surface understanding of the effectiveness of their policies, refugee protection organizations must improve their analytical capabilities.¹¹² An improved understanding of the implications of local integration as it applies to refugee-hosting nations can help to alter the current institutional mindset that pervades this community.

A Need to Understand the Effect of Refugees on a Larger Scale

Throughout this paper I have shown that the common perception that the Iraqi refugees were completely responsible for Jordan's economic troubles was wrong. The scope of this argument, however, is not limited to this case. Objections to local integration made by hosting nations are often misinformed and lacking in substantive evidence. These misperceptions frequently lead to the rejection of local integration policies. In order to change the approach of the international community, the viability of local integration policies in certain situations must be recognized. Since the primary argument against local integration is an economic one, states that better understand the true impacts of these policies will be more likely to harness the productive capacity of the refugees to their benefit. By allowing refugees to become more self-sufficient, hosting

¹¹¹Crisp, "The Local Integration and Local Settlement of Refugees," 6.

¹¹²This point was advanced in Lischer, *Dangerous Sanctuaries*, 165.

nations can mitigate the costs of sustaining refugee camps and use their resources for more productive endeavors.

I have examined just one case in a growing number of refugee crises around the world. This study, in combination with the work that proceeds it, demonstrates that the impact of locally integrated refugees varies depending on the situation's context. No one study alone will provide the answer to policymakers who wish to devise an optimal refugee strategy. Fortunately, a growing number of practitioners and scholars have recognized the importance of assessing the impacts and costs of forced displacement around the world. A recent publication by the Refugee Studies Centre at the University of Oxford, in partnership with other members of the international community, proposes a systematic methodological framework for evaluating the costs and benefits of displacement.¹¹³ This framework is meant to enable the rigorous analysis of empirical data applied to specific cases of forced displacement which could then inform policy development. The publication provides information on a number of viable case studies where comprehensive data-sets are currently available to support in-depth research. Despite the challenges inherent in evaluating refugee situations, future research should seek to examine these cases using creative methodologies in order shed light on this topic which is frequently misunderstood.

Policy Implications

The 1951 Convention Relating to the Status of Refugees, along with the subsequent 1967 Protocol, offers a legal framework created to provide for the protection

¹¹³See Fiddian-Qasmiyeh et al., "Assessing the Impacts and Costs of Forced Displacement," 8.

of refugees. The formal protections included in these documents have greatly benefited millions of refugees since their inception. Many countries around the world, however, have not signed on to these agreements.¹¹⁴ While arguments that advocate that states accept refugees into their country for humanitarian reasons are powerful, concerns of the costs associated with refugees often times leave states opposed to becoming hosts. Even for states that are signatories to the Convention, these concerns usually prevent refugees from being locally integrated. Only through the thorough examination of successful instances of local integration will the dominant narrative be changed, allowing local integration to become a more frequently advanced policy when appropriate.

As was evident in the case of Iraqi refugees in Jordan, the right to work proved to be a major factor in determining locally integrated refugees' ability to support themselves. Restrictions on the Iraqis' ability to enter the Jordanian labor market led many to pursue work in the informal economy. These jobs paid low wages and subjected the Iraqis to exploitation by unscrupulous employers who knew the refugees had no legal recourse. Few nations have allowed refugees access to lawful employment, but evidence suggests that those that have opened their labor markets to migrants have seen positive benefits. For example, in Thailand, the government has created a formal migrant labor policy that employs over one million Burmese migrant workers.¹¹⁵ This program has aided in reducing poverty in local communities around Thailand and has helped to

¹¹⁴There are currently 145 contracting states to the 1951 Convention and 146 contracting states to the 1967 Protocol.

¹¹⁵Thailand does not recognize Burmese employed in the formal labor program as refugees, which often denies them legal status and protection.

facilitate regional economic growth.¹¹⁶ Since 2008, Ecuador has also capitalized on its refugee population by granting all refugees the right to employment, contributing to the countries steady economic growth.¹¹⁷ Policies that allow refugees to work harness the human capital that the refugees possess. Resources that are expended maintaining camps where the refugees remain idle can be better used to facilitate the integration of refugee populations into local economies. Host communities can also benefit as the increased economic capacity provides new job opportunities and increased tax revenue to the government.

Establishing an environment that allows refugees to become self-sufficient does not require the host government to grant special privileges to refugees. In fact, doing so is often counterproductive as local residents can become resentful towards the refugees. International aid can be used for development that benefits both the refugees and their host communities, facilitating a more peaceful integration. Ultimately, the success of local integration is dependent on the willingness of local political actors to accept the presence of the refugees. Allowing refugees the ability to move freely throughout the country gives them the best chance to negotiate arrangements with employers, landowners, and local officials.¹¹⁸ By states legitimizing the refugees' presence, it is more likely that they will become self-reliant and contribute positively to the host nation.

¹¹⁶Emily Arnold-Fernandez and Stewart Pollock, "Refugees' Rights to Work," *Forced Migration Review* 44 (2013): 92, <http://asylumaccess.org/AsylumAccess/wp-content/uploads/2012/09/arnoldfernandez-pollock.pdf> (accessed 4 April 2014).

¹¹⁷Ibid., 92.

¹¹⁸Jacobsen, "The Forgotten Solution," 23.

Conclusion

Mass influxes of refugees always impose costs on host nations. Although I have conceptualized the strengths of local integration, it is no panacea. When states accept refugees across their borders they make deliberate choices regarding the policies that they enact. A dominant narrative among the international community, which characterizes refugees as a threat to states, combined with an institutional logic within the refugee protection community that promotes encampment as the preferred solution, has made policies of local integration relatively rare. From a security perspective, this is less than ideal, considering that most of the mechanisms described in the literature which explain refugee causes of conflict focus around conditions that exist in refugee camps.¹¹⁹

Allowing refugees to disperse throughout local communities has the potential to mitigate some of these sources of conflict. But even if security concerns are minimal, the threat of economic instability brought by the refugees remains the predominant justification for enacting policies that keep refugee populations separated from host nation communities.

As my analysis of Iraqi refugees in Jordan indicates, these economic concerns are vastly overstated. Even amidst counterproductive policies, which denied most refugees the ability to fully utilize their skills and experiences, the costs imposed by the Iraqi refugees were far less than was commonly perceived. Through the use of an identification strategy that allows a comparison to be made between refugee- and non-refugee-hosting governorates, I have shown that Jordan's poor economic condition was only partially a result of the presence of Iraqi refugees. While the refugees did contribute to an increase in both the price level and the unemployment rate, as well as hold down wage growth for

¹¹⁹For example see Salehyan, "Refugees and the Spread of Civil War," 342.

low-skilled workers, other factors contributed to these changes as well, which were misattributed to the refugees. Moreover, the government policies that denied most Iraqis legal residence or the ability to work in the formal labor market had the unintended consequence of pushing many refugees into the informal economy where they often worked in areas well below their skill level. This denied a relatively highly educated refugee population the ability to maximize its contribution to Jordan's economy.

Refugees that are locally integrated into existing communities do not necessarily impose an economic burden on host nations. Although rigorous empirical investigations in this area are limited in number, there is a growing interest in better understanding how refugees impact host nations. The results of this study provide some evidence to show that the dominant narrative is overly simplistic. States that reject local integration out of hand risk potentially enacting sub-optimal refugee policies. Refugee-hosting nations that consider the specifics of each situation and apply this growing body of literature to their policy development will make well-informed decisions that best promote the stability of the state and the region.

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