

**Statement for the Record of the Niskanen Center<sup>1</sup>**  
**Submitted to**  
**The House Committee on the Judiciary**  
**Legislative Markup on**  
**“Refugee Program Integrity Restoration Act of 2016”**  
**March 16, 2016**

The Refugee Program Integrity Restoration Act of 2016 (H.R. 4731) contains several provisions that function as restrictive labor market regulation with deleterious effects on the U.S. economy. These provisions reduce the number of refugees who may enter the United States to contribute to our economy and place unnecessary impediments to their successful integration into the American labor force.

**H.R. 4731’s Labor Market Regulations Harm the U.S. Economy**

H.R. 4731 would create a statutory limit of 60,000 refugees. This arbitrary limit is a large reduction in America’s historic refugee flows, which, since 1980, have averaged roughly 80,000 admissions per year. Besides a departure from America’s traditional ongoing commitments, the bill blocks the president from increasing the refugee limit quickly in response to international or global emergencies. The bill would prevent the United States from responding forcefully to the largest refugee crisis since World War II.

Restrictions on the admission of refugees restrict the labor market and economy more broadly. Refugees contribute to the economy through their work, through their entrepreneurship, and through their consumption. For FY 2016 and 2017, the president has proposed admitting 85,000 and 100,000 refugees respectively. This bill would effectively bar 65,000 refugees from being admitted to the United States over the following two years and likely many more over the next decade. This ceiling on workers, entrepreneurs, and consumers curtails the free actions of U.S. citizens to employ, be employed by, and sell to refugees.

Each of these restrictions have negative implications for the U.S. economy and labor force. Refugees contribute to the U.S. economy primarily through employment, mainly in lower-skilled jobs, but in higher-skilled jobs as well. The Office of Refugee Resettlement (ORR), which tracks the employment of refugees through their fifth year in the United States, finds that refugees in 2013 had a labor force participation rate of 60 percent, roughly equal to the total population. By their fifth year, they had an unemployment rate of 7.2 percent, roughly equal to the 6.5 percent for the total U.S. population.<sup>1</sup>

Research has shown that by 1990, refugees who were admitted from 1975 to 1980 actually had 20 percent higher earnings than economic refugees admitted during the same period, despite having lower earnings in 1980.<sup>2</sup> Another study found that the median income for refugees after twenty years in the United States grew by \$31,000.<sup>3</sup>

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<sup>1</sup> The Niskanen Center is a libertarian 501(c)(3) nonprofit think tank located in Washington, D.C. founded

Refugees' contributions to labor force have positive impacts even on the workers with whom they compete. In the short term, refugees have been shown to displace native-born workers out of lower skilled, manual-intensive occupations and into still lower skilled but higher paying language intensive occupations.

Last year, economists Giovanni Peri and Mette Foged used the government of Denmark's database on every Danish worker to identify the impact of its large refugee flows from Bosnia, Somalia, Iraq, and Afghanistan. "The increase in refugee-country immigrants pushed less educated native workers to change occupation," the economists find. "This move was significant and towards non-manual occupations, and particularly strong when workers changed establishment."<sup>4</sup> The database revealed that refugees boost the wages for these lesser-skilled workers within firms, across firms and across municipalities.

Similar studies have been conducted in the United States. In 1980, for example, a huge influx of refugees from Cuba landed in Miami, Florida. Economists Örn Bodvarsson, Joshua Lewer and Hendrik Van den Berg found that the Cuban workers' consumption increased demand for goods and services in the Miami market, which in turn increased the wages for native-born lower-skilled workers in other industries.<sup>5</sup>

Refugees also decrease the prices of goods and services. They affect prices through two mechanisms: they increase the supply of goods and services that consumers seek, and they provide a new pool of consumers who are unattached to local brands or stores—which research shows forces retailers to lower prices to attract these new shoppers. In his important work on this idea, economist Mark Bils found, for example, "Retailers lower prices to attract new consumers when brand and store attachments are initially weak and develop over time."<sup>6</sup>

Many studies have found refugees and immigrants do, in fact, lower the cost of living for native residents. Economist Saul Lach studied the major influx of Jewish refugees from the Soviet Union into Israel following the opening of the Soviet Union. Lach found that a "one-percentage-point increase in the ratio of immigrants to natives in a city decreases prices by 0.5 percentage point on average."<sup>7</sup> A 2007 study from the National Bureau of Economic Research found that Nordic countries that kept labor scarce had higher prices for labor-intensive services, which ultimately led to less consumption of those goods.<sup>8</sup>

In the United States, the story is the same. The National Research Council's canonical study concluded, "The benefits of immigration from lower prices are spread quite uniformly across most types of domestic consumers."<sup>9</sup> Patricia Cortes has released two now classic studies that proved this point. In the first, she found a 10 percent increase in low-skilled immigrants decrease prices of immigrant-intensive services by 2.1 percent. In the second, she found that low-skilled immigration decreased the price of childcare services and led to more high skilled American women entering the labor force.<sup>10</sup>

The real-world impact of refugees in the United States is felt in cities across the country. The *St. Louis Business Journal* reported in 1999 that neighborhoods in St. Louis that

were headed for "ghost-town status are now teeming with new residents and new economic activity" thanks to an influx of Bosnian refugees.<sup>11</sup> Refugees from Somalia, Myanmar, Bhutan, and elsewhere have helped neighborhoods in Buffalo undergo a similar change. One 2012 study in Cleveland found that refugees from Bhutan, Ukraine, Burma, and Somalia created jobs and boosted the Cleveland economy by \$48 million.<sup>12</sup> Refugee-owned businesses contributed \$7.6 million in economic activity to the city in 2012.

H.R. 4731 constitutes harmful labor market regulation. By decreasing the supply of labor, it will lower wages for native-born Americans and increase prices of the goods and services that they purchase.

### **H.R. 4731 Will Hinder Economic Integration of Refugees**

H.R. 4731 endangers resettled refugee's path to self-sufficiency, which is one of the main goals of the U.S. Refugee Admissions program. In doing so, it will undermine the remaining economic benefits that the refugee program provides. The first provision would prohibit refugees from adjusting their refugee status to legal permanent residency status until after three years in the United States. The other provision requires refugees to reprove that they meet the legal definition of a refugee prior to adjusting to legal permanent residency.

These provisions harm refugees' economic integration in two ways. First, many states restrict occupational licenses to legal permanent residents and U.S. citizens, excluding temporary residents of any kind. The extent of this problem cannot be understated. As of 2003, 800 hundred occupations required a license by at least one state. "The most common state statutes limit licenses to legal permanent residents," concludes a recent legal analysis.<sup>13</sup>

These restrictions already interfere with refugee employment, but currently refugees are able to adjust to legal permanent residency after only a single year. This is burdensome, and perhaps a reason that only 33 percent of refugees find employment after the first year. Fortunately, refugees are able to adjust after the initial year and then successfully find employment. A three-year restriction would significantly impact refugees' successful labor market prospects. After three years out of the person's occupation, reentering the market would only be that much more challenging.

The second issue is that refugee status is not intended as a permanent status and the most important predictor of a person's willingness to make long-term investments in their new country is that they believe it is, in fact, their permanent home. Requiring refugees to reprove that they are entitled to refugee status and that no conditions in their home country have changed will leave them in this legal limbo throughout the initial three-year period. The long-term perspective partly explains why foreign-born citizens earn more than legal permanent residents, and legal permanent residents earn more than guest workers, and legal workers earn more than illegal workers—that is, the willingness to invest in skills specific to the country in which the refugees are working increases with

their expected residency.<sup>14</sup> Quickly granting legal permanent residency would facilitate faster integration of refugees.

### **Conclusion**

The economic gains from refugee immigration are significant, and there are no offsetting concerns that would make reductions in the refugee program worthwhile. Refugees pose little threat to Americans. Since 1990, the United States has resettled almost 2 million refugees. Over that period, there have been dozens of terrorist attacks, but not a single one has been carried out by a refugee in the United States.<sup>15</sup> The U.S. refugee program is the most difficult to enter, not only due to its stringent vetting process but also due to the fact that refugees cannot choose to be resettled in the United States. This makes the refugee program particularly ill-suited for intentional terrorist infiltration.

The refugee program also serves other purposes beyond economic growth. It combats ISIS propaganda that America hates Muslims. It provides protection for human rights activists who often return to their home country to help rebuild after conflicts. It serves as moral and political leverage on the international stage for the United States to pressure governments to stand up for human rights. The program should not only continue to stand for these noble ideals. Rather, it should be expanded to respond to the world's largest humanitarian crisis since World War II. This would be almost as good for the U.S. economy as it would be for the human rights of those fleeing violence and persecution abroad.

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<sup>1</sup> Office of Refugee Resettlement. "Annual Report to Congress FY 2013."

[https://www.acf.hhs.gov/sites/default/files/orr/arc\\_2013\\_508.pdf](https://www.acf.hhs.gov/sites/default/files/orr/arc_2013_508.pdf)

<sup>2</sup> Kalena Cortes. "Are Refugees Different from Economic Immigrants? Some Empirical Evidence on the Heterogeneity of Immigrant Groups in the United States." Institute for the Study of Labor (IZA) March 2004. [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=524605](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=524605)

<sup>3</sup> Randy Capps, Kathleen Newland, Susan Fratzke, Susanna Groves, Michael Fix, Margie McHugh, and Gregory Auclair. "The Integration Outcomes of U.S. Refugees: Successes and Challenges." Migration Policy Institute. June 2015. <http://www.migrationpolicy.org/research/integration-outcomes-us-refugees-successes-and-challenges>

<sup>4</sup> Mette Foged; Giovanni Peri. "Immigrants' Effect on Native Workers: New Analysis on Longitudinal Data." IZA DP No. 8961. March 2015. <http://ftp.iza.org/dp8961.pdf>

<sup>5</sup> Örn B. Bodvarsson, Joshua J. Lewer and Hendrik F. Van den Berg, "Measuring Immigration's Effects on Labor Demand: A Reexamination of the Mariel Boatlift," IZA Discussion Paper No. 2919, 21 July 2007. <http://repec.iza.org/dp2919.pdf>

<sup>6</sup> Mark Bils. "Pricing in a Customer Market." Q.J.E. 104, 1989.

<http://www.jstor.org/discover/10.2307/2937863?uid=3739560&uid=2&uid=4&uid=3739256&sid=21102269230837>

<sup>7</sup> Saul Lach, "Immigration and Prices," The Hebrew University of Jerusalem and Centre for Economic Policy Research, 2007. <http://www.uh.edu/~adkugler/Lach.pdf>

<sup>8</sup> Robert E. Lipsey and Birgitta Swedenborg, "Explaining Product Price Differences Across Countries," National Bureau of Economic Research, July 2007. <http://www.nber.org/papers/w13239>

<sup>9</sup> National Research Council, The New Americans: Economic, Demographic, and Fiscal Effects of Immigration, ed. James P. Smith and Barry Edmonston (Washington: National Academy Press, 1997).

<sup>10</sup> Patricia Cortes, "The Effect of Low-skilled Immigration on U.S. Prices: Evidence from CPI Data," University of Chicago (October 2006).

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<sup>11</sup> Linda Tucci. "Refugees revitalize city neighborhoods." *St. Louis Business Journal*. April 11, 1999.

<http://www.bizjournals.com/stlouis/stories/1999/04/12/story2.html>

<sup>12</sup> HIAS. "Economic Impact of Refugees in the Cleveland Area: Calendar Year 2012." October 2013.

[http://www.hias.org/sites/default/files/clevelandrefugeeeconomic-impact.pdf?\\_ga=1.191821354.1096693022.1449774105](http://www.hias.org/sites/default/files/clevelandrefugeeeconomic-impact.pdf?_ga=1.191821354.1096693022.1449774105)

<sup>13</sup> Jenessa Calvo-Friedman. "The Uncertain Terrain of State Occupational Licensing Laws for Noncitizens: A Preemption Analysis." *Georgetown Law Journal* - V102-Issue 5.

<http://georgetownlawjournal.org/files/2014/06/CalvoFriedman-Uncertain1.pdf>

<sup>14</sup> Miao Chi; Scott Drewianka. "How much is a green card worth? Evidence from Mexican men who marry women born in the U.S." *Labour Economics* Volume 31, December 2014, Pages 103–116.

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<sup>15</sup> Niskanen Center. "Statement for House and Senate Syrian Refugee Hearings." November 19, 2015.

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