

Matching with the Right Attitude: the Effect of Matching Firms with Refugee Workers

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Does exposure to one refugee worker increase local employers' demand for refugees? In this study, we show that matching employers with a skilled refugee worker for a short-term internship improves the employers' perception of refugees' abilities and increases the hiring of refugees by firms. This is particularly evident when the employer and refugee share positive attitudes towards each other.

Introduction

Migrants and refugees are often poorly integrated in the local labour markets. Their lack of integration creates costs for both host governments and society. On the one hand, migrants are a large pool of unexpressed and underutilised talent. On the other hand, governments must spend often stretched resources to sustain these populations. This is especially true in the case of forcibly displaced people, the greatest majority of which are hosted in low- and middle-income countries (UNHCR, 2022). While most of the existing studies focus on rich economies, there is relatively little research on the labour market integration of refugees in low- and middle-income countries (Schuettler and Caron, 2020).

What explains refugees' poor performance in local labour markets? Both supply-side and demand-side factors may hamper refugees' labour market integration. For instance, they may lack the necessary human capital to be employed in the local labour markets (Alfonsi et al, 2020). At the same time, given the large uncertainty regarding their skills, employers may form incorrect beliefs about how competent they are (Pallais, 2014; Bassi and Nansamba, 2022; Carranza et al, 2022). Finally, employers may hold negative attitudes towards them, and are less willing to interact with refugee workers (Rao, 2019; Mousa, 2020; Lowe, 2021; Corno et al, 2022).

In this paper, we use a randomised experiment in Uganda to study the short-term and long-term impact on the willingness of native owned and managed firms to hire refugees after being provided with a skilled refugee worker for free for one week.

Context and Methodology

Uganda is an ideal setting to investigate the labour market integration of refugees. Not only is it one of the largest refugee-host countries in the world (with approximately 1.5m people seeking asylum from

neighbouring countries such as South Sudan and the Democratic Republic of Congo), but refugees are permitted to move freely within the country and look for jobs, thus allowing us to focus on the importance of intergroup contact in the workplace. We focus on the capital Kampala, which hosts about 125,000 refugees, and we focus on Congolese workers.

We collaborate with YARID and Bondeko, two large refugee-led NGOs, and the Directorate of Industrial Training (DIT) to test the practical skills of a sample of 552 refugee workers. We randomly pair each refugee worker with a sample of 535 Ugandan employers, considering the profession of the refugee worker. For example, we match refugees with cooking skills to restaurants, hairdressers with beauty parlors, and so on. Treated firms were subsidised to offer a week-long internship for free to the paired refugee worker whereas control firms were not. The research team paid a subsidy of approximately USD 15 directly to the refugee workers.

Figure 1: Research team facilitates the start of the internships



Main Findings

We observe a significant effect approximately eight months after the internship. The firms which were incentivised to offer an internship to one refugee worker hire almost three times more refugee workers than the firms in the control group. Importantly, the effect is not driven by firms who hired the same worker after the internship and it appears that firms are not hiring fewer Ugandans to make room for another refugee.

We also find that firms improve their views about the skills of refugee workers. When asked to rate the skills of generic refugee workers in Kampala, treated firms report higher ratings about a series of hard and soft skills. In the short-term (that is, about a month after the internship), however, demand for refugees does not change.

We investigate the reasons why there is no change using a data-driven approach. We find that the quality of interactions between the employers and the refugees depends on the initial attitudes towards each other. Specifically, if the match happens between employers who are supportive of refugees' integration and refugees who perceive themselves in closer cultural proximity to Ugandans, firms are more willing to hire a new refugee. Conversely, if the match happens between an employer and a refugee worker with negative attitudes, the demand for new refugees among firms decreases.

Finally, an important result of the intervention is that not all refugees who were invited to the internship actually took it up. We find evidence that refugees living further away from the business premises where they were assigned to the internship were less likely to show up for work. This is primarily due to the credit constraints faced by these refugees, which our incentives did not fully address.

Figure 2: Number of refugees hired after the internships

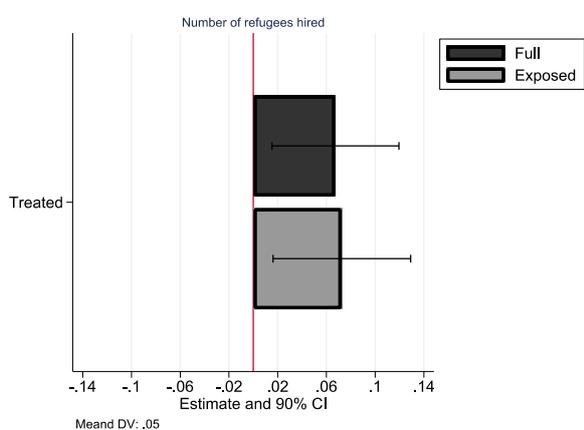
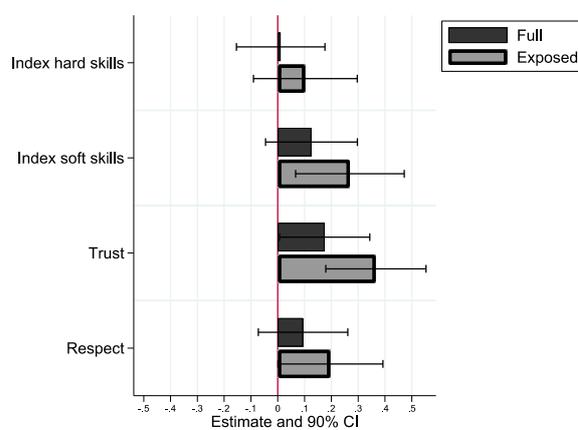


Figure 3: Firms learn about refugees' skills



Note: These figures report two sets of results: one considering both firms whose internship did not take place and those for which the internship took place ("Full") and one considering only those for which the internship took place ("Exposed").

Policy Impact

These findings have two important policy implications. First, governments interested in investing resources to incentivise internships should take into account the constraints to access the programme. For instance, refugees may need to be assisted with cash to move around the city and start their work engagements. Second, both the local employers and the refugee workers may benefit from a preparatory training before engaging in the internship. This may assist them in adjusting their initial attitudes and improve the out-group contact experience.

Moving Forward

Finally, this paper opens new questions relevant to the effect of initial attitudes on the employer-worker relationships. What is the outcome of exposure between employers and workers of any other group of workers with whom they have rarely interacted? Future research should investigate whether attitudes play a role regardless of the socio-economic status of the worker.

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