

THE FISCAL CASE FOR REFUGEE RESETTLEMENT

The Issue

A common argument for scaling back the US refugee program is a fiscal one: that it places an undue financial burden on governments at all levels. This concern is reflected in Section 10(b) of the January 27th, 2017 Executive Order from the Trump administration concerning the refugee program when it requires that the “...Secretary of State shall, within one year of the date of this order, provide a report on the estimated long-term costs of the USRAP (United States Refugee Admissions Program) at the Federal, State, and local levels.”¹ These discussions of the program costs ignore entirely the benefits of the refugee program. Most refugees enter the US workforce and become taxpayers so these fiscal benefits should be added to the equation as well. Estimating the net benefits of the refugee program is difficult because most current economic and demographic surveys do not distinguish refugees from other immigrants and the Federal data on refugees that does exist does not have long term outcomes. In this brief, we outline how to identify a group with a high fraction of refugees in the American Community Survey. As we demonstrate, this group is broadly representative of all refugees resettled to the US over the 1990-2014 period. In this sample, we then examine the economic outcomes of refugees over a 20-year period. Our results suggest that most refugees that enter as children do as well as native born US residents in education attainment and earnings. We then estimate the transfers to and taxes paid by adult refugees that enter at ages 18-45 over their first 20 years in the US. Our results suggest that in present value, the taxes paid by this group exceed support received by \$21,200.

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The Refugee Resettlement Process in the US

According to US law, a refugee is someone who “is a person who is unable or unwilling to return to his or her country of nationality because of persecution or well-founded fear of persecution on account of race, religion, nationality, membership in a particular social group, or political opinion” (Department of Homeland Security, section 101 (a) (42) of the Immigration and Nationality Act (INA)). The United Nations estimates that there are currently 21 million refugees in the world and another 41 million that have been displaced from their homes but are living within their own country.²

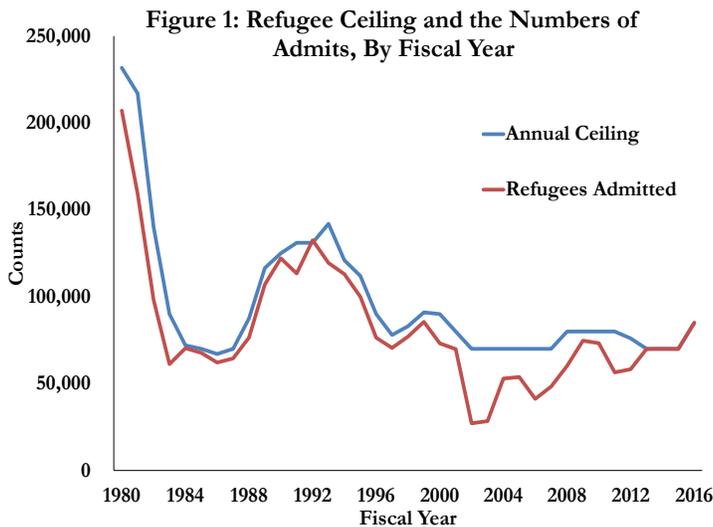
The United States actively resettles refugees to this country in accordance with the Refugee Act of 1980. There are three federal agencies involved in this process: Bureau of

¹ <https://www.whitehouse.gov/the-press-office/2017/01/27/executive-order-protecting-nation-foreign-terrorist-entry-united-states>

² <http://www.unhcr.org/en-us/news/latest/2016/6/5763b65a4/global-forced-displacement-hits-record-high.html>

Population, Refugees and Migration (PRM) at the State Department; Office of Refugee Resettlement (ORR) at Health and Human Services (HHS), and the Asylum Division of the US Citizenship and Immigration Service (USCIS) of the Department of Homeland Security (DHS).

Prospective refugees are referred to the US for possible resettlement by US Embassies, or approved organizations such as the United Nations High Commission for Refugees. Employees of resettlement organizations assist applicants in gathering the appropriate documents. Applicants are given thorough security and medical exams by the Department of Homeland Security. Once a refugee is cleared to enter the refugee program, they are assigned to one of nine US refugee resettlement agencies that have a Cooperative Agreement with the Department of State to resettle refugees: Church World Service, Ethiopian Community Development Council, Episcopal Migration Ministries, HIAS, The



International Rescue Committee, Lutheran Immigration and Refugee Service, US Committee for Refugees and Immigrants, United States Conference of Catholic Bishops/Migration and Refugee Services, and World Relief. These agencies utilize a network of 300 local sites and partners to help refugees settle into local communities.³ These local partners provide food, shelter, medical care, case management, English as a second language classes, and employment services, with the goal of helping refugees obtain economic self-sufficiency.

Source: Migration Policy Institute, 2017

Figure 1 graphs the annual Federal ceiling on refugees and the refugees resettled since 1990. Since 1975, the United States has re-settled more than 3 million refugees. (Migration Policy Institute, 2017), the most of any country over this period.

In 2015, there were almost 70,000 refugees with more than three-quarters of them arriving from five nations: Burma, Iraq, Somalia, Democratic Republic of Congo, Bhutan (DHS, 2015). Refugees of all ages arrive in the United States, though most (74%) are under age 35 and this varies widely by region, for example refugees from Africa are much younger – only 18 on average (DHS, 2015). More refugees are male (52 percent) and most adults are married (60 percent) (DHS, 2015).

LEO’s Study

There is a lack of research on refugees’ assimilation into the US. This is due to two factors. First, what data does exist on refugees is either not available for research purposes or the data does not follow refugees long after they arrive in the US. Second, while many federal data sets identify the year of entry and country of origin for

³ Refugee Council USA. 2017. <https://www.Rcusa.org>

immigrants, they do not identify their status at entry so refugees cannot be identified from other immigrant groups.

Matching the Samples

We can however identify a group that are likely refugees in the American Community Survey (ACS), an annual survey administered by the Census to 1 percent of the US population.⁴ The ACS tracks households' composition, demographics, education, earnings, migration, and more. Using the sample weights in the ACS and individuals' responses to questions about their country of birth and year of migration to the US, we can estimate the number of people that migrated to the US from a particular country (c) in a particular year (t). We label this number I_{ct} . Next, we can count the actual number of refugees from a particular country in a particular year using data from

The Yearbook of Immigration Statistics. Compiled by the Department of Homeland Security, this Yearbook contains the number of refugees entering the US from every country for every year between 1990 and 2014.⁵ We label this number R_{ct} . We then construct the Refugee Concentration Ratio of a country-year as $RCR_{ct} = R_{ct} / I_{ct}$. It measures the fraction of immigrants from a country that are refugees. As the RCR_{ct} approaches 1, the bulk of the immigrants in the ACS from that country/year pair are likely refugees. Figure 1 graphs the number of refugees versus the number of immigrants in a year from all countries that had at least 1 refugee and less than 20,000 immigrants. Points that lie along the 45° line in the graph represents country/years where $RCR > 0.7$ and Table 1 shows the 137 country-year pairs that are included in this analysis. This basic procedure has been used by Capps et al. (2015) in their analysis of refugee assimilation and is similar in spirit to the work of Schoellman (2016).

TABLE 1

COUNTRY (YEARS OF IMMIGRATION TO US)

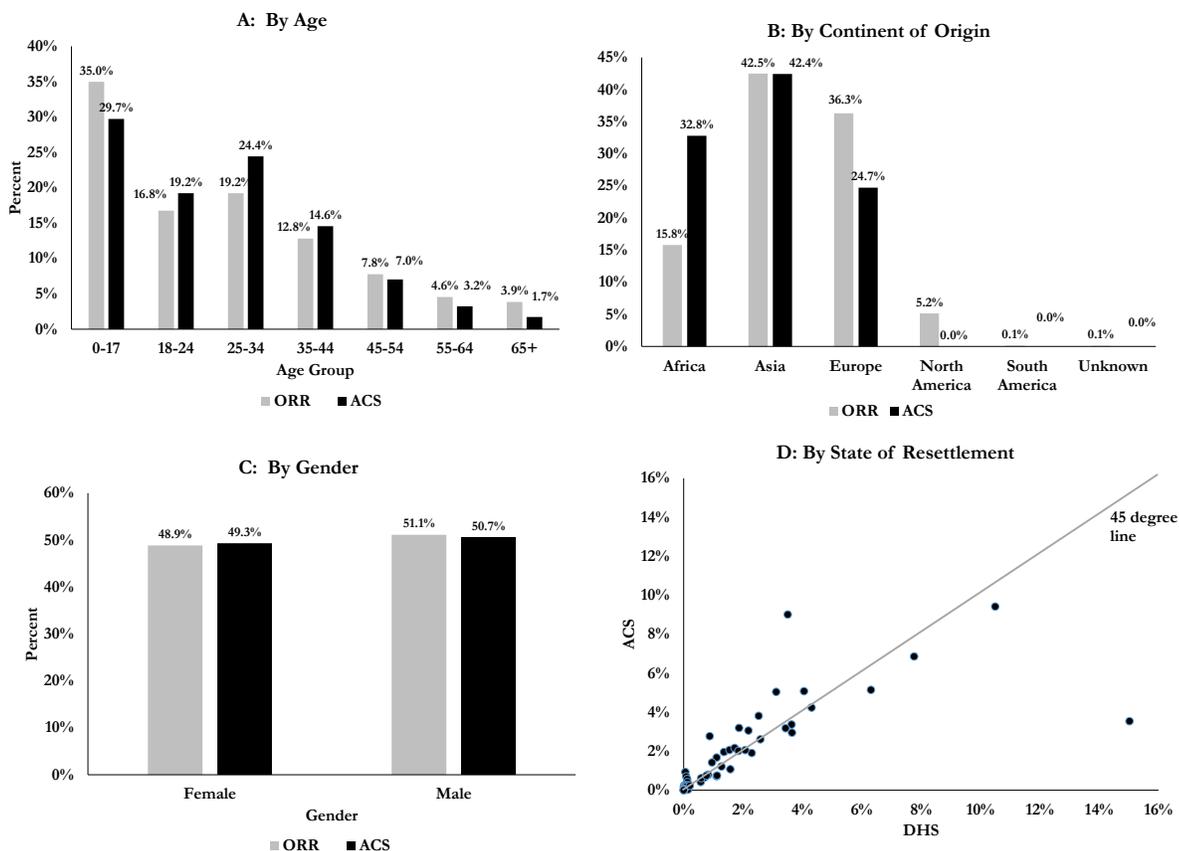
AFGHANISTAN (1991-92, 2001-03)
ALBANIA (1991)
AZERBAIJAN (2003-04)
BHUTAN (2003-09)
BOSNIA (1993-02)
BURMA (2007-14)
CAMBODIA (1990)
CROATIA (2000-01)
CZECHOSLOVAKIA (1990-91)
ERITREA (2007, 2009-10, 2013-14)
ESTONIA (2004)
ETHIOPIA (1990-93)
IRAQ (1992-95, 2001, 2008-11, 2013-14)
LAOS (1990-97, 2004-05)
LIBERIA (1993, 1999, 2001, 2004-06)
LIBYA (1991)
MOLDAVIA (2001, 2004)
SERBIA (1999, 2002-03)
SIERRA LEONE (2001, 2003-04)
SOMALIA (1992-98, 2000-01, 2003-14)
SUDAN (1994-95, 1998-06, 2012-14)
TOGO (1995, 2000)
VIETNAM (1994-95)
DEM. REP. OF THE CONGO (1993-94, 2000, 2004-14)

⁴ We use data for the ACS from IMPUS.org. Please see Ruggles et al. (2015) for details.

⁵ <https://www.dhs.gov/immigration-statistics/yearbook>

Our analysis sample is broadly representative of the US refugee population. The refugees represented in Table 1 account for 39% of all refugees to the US over the 1990-2014 time period. In Figure 2 below, we compare the characteristics of refugees identified through our analysis in the ACS with all data from the Office of Refugee Resettlement (ORR) for all refugees admitted over the same period. In Figure 2a we report the distribution by age for the two groups, in figure 2B we report the distributions by continent of origin, and in Figure 2C we compare the gender composition. Along these three dimensions, the samples look similar. The ACS data has a smaller fraction children refugees and more refugees aged 25-34. The ACS data has a larger fraction refugees from Africa and a smaller fraction from Europe. In Figure 2D we plot the fraction resettled by state for the two groups. Each point is a state and on the horizontal axis we report the numbers from ORR and on the vertical axis we report the numbers from the ACS. If the point lies along the 45 degree line, the fraction resettled to that state is the same in both data sets. Most point lie close to the 45 degree line meaning that we are replicating the geographic distribution of resettlement in the US as well.

Figure 2:
Comparison of Refugees Identified in the 2010-2014 ACS that Entered 1990-2014 with Numbers from the Office of Refugee Resettlement over the Same Period



The goal of this analysis is to track refugees' outcomes over a long period of time in the US, but the ACS gives only one data point, a snapshot of the refugee's current life. Ideally, one cohort of refugees would be followed over time. Since this is not possible, a synthetic cohort was constructed. A refugee who has been in the US for 1 year is thought of as the synthetic cohort's first year in the US. A refugee who has been in the US for 2 years represents that

same refugee's second year in the US. A refugee who has lived in the US for 20 years represents that same refugee's twentieth year in the US. In this way, the analysis can study the path of an average refugee over time in the US.

Comparing the outcomes of refugees who have been in the US for 1 year versus those who have been here for 20 years provides insight into the long term economic integration of refugees.

Child Refugees in the Sample

The first exercise in the analysis was to study the outcomes of refugees who enter the US as children. The ACS tracks the highest level of education for respondents. First, the dataset was limited to all refugees between the ages of 19 and 24. The average high school graduation rate by the refugees' age at entry to the US was studied and compared to US born peers in our dataset. This exercise was repeated for college graduation rates, limiting the dataset to respondents between the ages of 23 and 28.

Estimating Costs and Benefits

The second part of the analysis studied refugees' fiscal costs and benefits during their first 20 years in the US. The dataset was limited to refugees entering the US between the ages of 18 and 45. Since it studied refugees who had been in the US up to 20 years, the maximum age of anyone in the dataset is 65. This allowed the study to focus on respondents most likely to be in the workforce. The fiscal costs of refugees came in 2 categories: direct resettlement costs and social insurance costs. Over the past 5 years, the Office of Refugee Resettlement has had an annual budget of around \$600 million to help resettle around 65,000 refugees.⁶ The upfront cost of resettling a refugee, which includes transitional healthcare, social services, and cash assistance, is around \$9,500.

FISCAL COSTS OF RESETTLEMENT INCLUDE DIRECT RESETTLEMENT COSTS AND SOCIAL INSURANCE COSTS.

In addition to the initial cost of resettlement, refugees continue to be costly in the form of social insurance programs. This analysis identified 6 social insurance programs that account for the majority of government payments to US citizens: welfare payments, Supplemental Security Income (SSI), Social Security, food stamps, Medicare, and Medicaid. The ACS reports the dollar amount of welfare, SSI, and Social Security payments received by a respondent. Food stamps, Medicare, and Medicaid are dummy variables in the ACS, indicating whether or not the respondent was enrolled in the program. Average costs per enrollee were used for respondents enrolled in these programs. Summing the direct cost of resettlement and participation in these 6 government programs yielded an estimate of refugees' costs to the government.

TAMSIM, a program developed by the National Bureau of Economic Research, was used to estimate the tax payments of refugees. TAXSIM takes in 22 inputs per person, including year, state of residence, dependents, filing status, income, and payments that could affect deductions. Based on this information, the program returns an estimate of federal, state, and FICA (Federal Insurance Contribution Act) tax liabilities. We count both the employee and the employer portions of the tax as we are not interested in tax incidence per se. In

⁶ <https://www.acf.hhs.gov/olab/budget>

addition to these 3 taxes, ACS records the amount of property taxes paid by the respondent. Finally, it was assumed that refugees paid the same amount in sales taxes as they did in state income tax. Data from the Quarterly Summary of State and Local Tax Revenues between quarter 1 of 2010 and quarter 4 of 2014, indicates that revenues from state income tax and sales tax have been essentially the same, with only a 2% aggregate difference.⁷ This most likely underestimates the amount of sales tax paid by refugees, as they tend to have lower incomes and the sales tax is a regressive tax. Summing state income, federal income, FICA, sales, and property taxes, produces an estimate the amount of the vast majority of taxes paid by a refugee to all levels of government.

The synthetic cohort of refugees represents one cohort of refugees moving through their first 20 years in the US. Although we are measuring the taxes paid and the costs of social programs from the same calendar year, they would be collected in very different years if this were an actual cohort we followed over time. Someone that arrived today is representing the first year of the cohort and the costs/benefits were incurred 20 years ago – someone that arrived a year ago is representing costs incurred 19 years ago, etc. Likewise, someone that arrived 20 years ago is in their 20th year in the US and their costs are in present value. We bring costs from the past forward by assuming a 2% discount rate. Therefore, for the newly arrived person that represents costs 20 years ago, we multiply costs by 1.02²⁰. Since refugees have large upfront costs, but pay back taxes over time, this technique accounts for the time value of money.

Results

The results of our analysis show that refugees who enter the US before the age of 14 graduate high school at similar or slightly higher rates than their US born peers. This is displayed in Figure 3 where we shows high school graduation rates for refugees aged 19-24 from the 2010-2014 ACS by their age at entry to the US versus. The horizontal dotted line is the graduate rate for US born respondents in the ACS aged 19-24.

Figure 3: High School Grad. Rates of Refugees, Aged 19-24 in 2010-2014 ACS by Age at Entry,

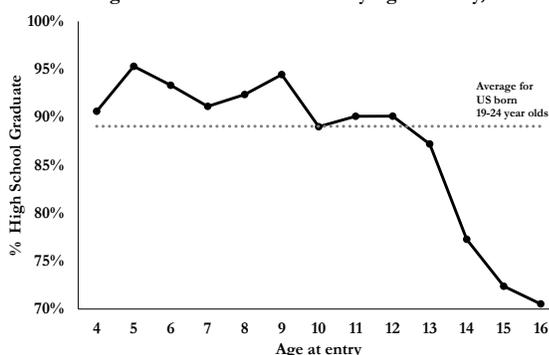
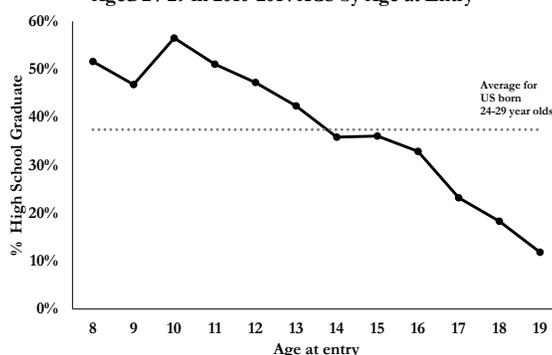


Figure 4: College Graduation Rates of Refugees, Aged 24-29 in 2010-2014 ACS by Age at Entry



Additionally, refugees who enter the US before the age of 16 graduate college at similar or slightly higher rates than their US born peers. Figure 4 shows college graduation rates for refugees by their age at entry to the US versus the US born average. Both college and high school graduation rates decline as age of entry increases. There are two factors that help explain the poor results for those 15 and above. The first is limited English acquisition. In our regression analyses, we can show that a large fraction of the poor performance of older teens in educational attainment is due to self-reported English language ability. Second, children that are unaccompanied by an adult are much more likely to be 15 years of age

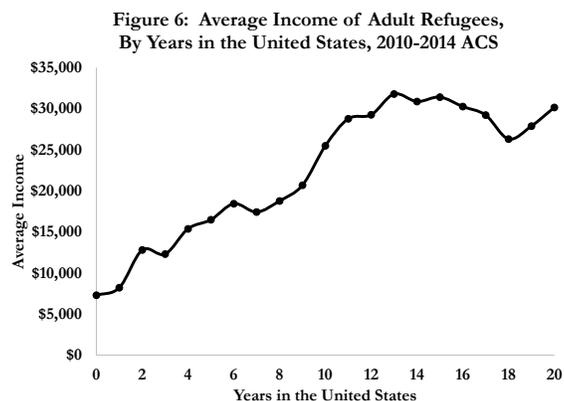
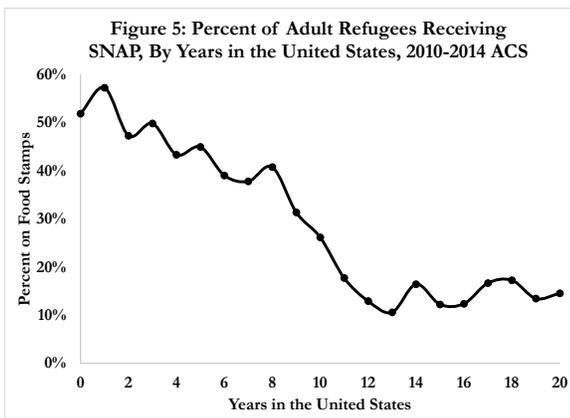
⁷ <http://www.census.gov/govs/qtax/>

and older. In our ACS data, there is a much higher fraction of children in this age range who are not living with their mothers.

In results not shown here, we demonstrate in regression analysis that conditional on holding observed characteristics constant such as age, gender and year of education, refugees who entered before age 20 had similar labor force, employment, and earnings to their US born peers. Refugees who entered the US between age 11 and 19 were as likely as their peers to be in the workforce and to be working. While refugees who entered the US between ages 8 and 10 were less likely to be working and employed, but this result was driven by their exceptionally high school attendance rates.

REFUGEES ENTERING THE U.S. AS CHILDREN GRADUATE HIGH SCHOOL AND COLLEGE AT SIMILAR OR HIGHER RATES THAN THEIR U.S. BORN PEERS

Refugees entering the US as adults tend to have poor economic outcomes when they first enter, but they improve significantly over time. Use of Medicaid, welfare, and SNAP (Supplemental Nutrition Assistance Program) decrease over time, while employment and income increase over time. These stylized facts are



represented in the next two figures which are samples of refugees that entered the country between the ages of 18-45 in the 2010-2014 ACS. In Figure 5, we report the fraction of adult refugees on SNAP as a function of their years in the US. Note that use is initially high but falls to about 10 percent by the 13th year in the US. Figure 6 shows individual income which increases rapidly through the first 13 years in the country. Results for other economic outcomes such as employment show a similar pattern.

The fiscal costs of resettling refugees include the direct costs of resettlement along with the indirect costs of participation in social safety net programs. The fiscal benefits include taxes paid to all levels of government. In Figure 7, we report the time path of the present value of fiscal costs, fiscal benefits and the net benefits for our adult refugee cohort during their first 20 years in the US. Fiscal costs are larger than benefits for the first 9 years in the US. Year 0 is especially costly because of the direct costs of resettlement. Starting in year 10, refugees contribute more in taxes than they cost to the government in social insurance costs.

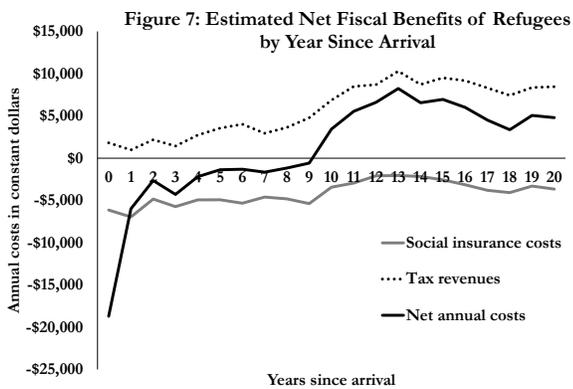


Table 2: Summary of Fiscal Costs for Adult Refugees Aged 18-45 at the Time of Entry in the 2010-2014 ACS over Their First 20 Years in the US

Relocation costs	Social insurance costs	Taxes Paid	Net Payment
-\$14,384	-\$86,863	\$122,422	\$21,195

In Table 2, we provide a summary of the costs summed over the 20 years and discounting over time by 2%. The present value of relocation costs total over \$14,000 and over the first 20 years in the US, adult refugees receive about \$86,000 in social support from governments, for a total of about \$100,000. Over this same time period, refugees pay about \$122,000 in taxes for a net benefit of \$21,195.

Implications and Next Steps

This study is the first to estimate the net fiscal benefits for resettling refugees in the United States. These findings have important implications for future research, for providers of resettlement services and for policymakers:

- This research could be done on actual refugees and not using sample data by using administrative data. State administrative data bases would identify earnings and social insurance program usage.
- The lower educational attainment of older teen refugees suggest that resettlement programs may want to consider focusing more resources on this vulnerable group. This group often enter unaccompanied and have fewer years to overcome language barriers to graduate high school and enter college.
- Despite the success of refugees in this instance, there is still far too little research on this program. There is little systematic research that has identified best practices. For example, when resettling refugees, we do not know whether economic outcomes are better when the refugee is placed in a community with a high concentration of residents from their homeland or whether assimilation is more encouraged if this is avoided. Overall, there is a need for additional research on what works and what does not for resettlement practices.

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For more information visit The Wilson Sheehan Lab for Economic Opportunity (LEO) webpage at: leo.nd.edu

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