

Briefing

Urban, Poverty

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Policy pointers

With 60 per cent of the world's refugees now living in urban areas, governments and aid agencies must find ways to help them to establish secure livelihoods.

Host governments should grant urban refugees the right to work — including access to work permits and business licences — to help them build a viable future.

'Refugee economies' — the economic activity associated with refugee communities — can be significant, and local governments and economic planners should recognise this potential and maximise its contribution to host cities.

In addition to providing practical help, humanitarian agencies and nongovernmental organisations should play an advocacy role on behalf of urban refugees with host governments.

Refugee economies: lessons from Addis Ababa

With most refugees now living in urban areas, governments, nongovernmental organisations and relief agencies must find new ways to help this vulnerable population secure stable livelihoods. 'Refugee economies' — the economy created by urban refugees through their work, entrepreneurship, consumption and support networks — can make significant contributions to host city economies. Drawing on our case study of Addis Ababa, where refugee-run businesses are tightly integrated into the city's wider economy, we explore the obstacles that can limit refugees' economic contribution and recommend policies to overcome them. As a first step, humanitarian agencies should encourage host governments to grant urban refugees the right to work so host cities can share the benefits of their innovation, creativity and international links.

More than 60 per cent of the world's 19.5 million refugees now live in towns and cities, but host governments often restrict their rights to work, leaving many to survive by pursuing precarious livelihoods in the informal sector. Academics and humanitarian agencies have conducted research into how refugee households support themselves. However, comparatively little attention has been paid to the contribution made by 'refugee economies' — economic activity generated by refugees through work, enterprise, consumption of goods and services, and the receipt of support, whether through aid or diaspora remittances and trade. Our research seeks to address this knowledge gap by providing new insights into the way refugee economies have spurred the development of new markets in Addis Ababa, a city where refugees — at least at present — are not legally permitted to work.

While refugees often move to cities in search of anonymity and opportunity, they may also face

exploitation and discrimination, particularly when trying to work. Although UN policy and humanitarian agencies argue that refugees should be allowed to have the right to live and seek employment in cities, many refugees face legal and practical obstacles to earning a living. Furthermore, humanitarian interventions aimed at supporting refugees to establish sustainable livelihoods in cities tend to be insufficient. These problems undermine the resilience of refugee households, dampen their prospects for finding 'decent work' and limit their ability to contribute to their host city.

We used Addis Ababa as a case study to develop our understanding of refugee economies and inform humanitarian responses in other cities where the rights of refugees to work are similarly restricted. In particular, we sought to identify the contributions that refugees can make despite the significant challenges they face and understand how their resulting refugee economies can be understood as an asset. Ethiopia, which has one

The more refugees can work, the more their communities can achieve

of the largest refugee populations in sub-Saharan Africa (791,631 refugees in 2016), is now a pilot country for the implementation of UNHCR's Comprehensive Refugee Response Framework (CRRF) and the Ethiopian government has made a commitment to re-examine the rules governing refugees and employment.

We undertook research in Addis Ababa in April 2017 to answer four questions:

1. What livelihood strategies do different refugee communities in Addis Ababa adopt?
2. How do refugee economies link with local economies in Addis Ababa, what impacts do they have on markets and what contributions do they make?
3. What humanitarian interventions would help secure refugee economies and increase their linkages with local market actors in the absence of a right to work?
4. What are the key challenges and opportunities in the transition towards a right to work for urban refugees in Addis Ababa?

The research drew on: 195 interviews with owners of, and workers in, Ethiopian-owned businesses (144) and refugee-owned businesses (51); focus groups with male and female refugees from Somalia, South Sudan, Eritrea, Yemen and the Great Lakes region; key informant interviews; and a workshop with stakeholders in the city. We also undertook a literature review.

Key findings

Refugee rights to work — international approaches. National laws and policies on refugee work vary across countries, often falling short of international standards. An analysis of international literature identified five typologies based around *de jure* and *de facto* rights to work (see Figure 1).¹ These typologies acknowledge the nuances between legal frameworks and local practices affecting refugee work. Ethiopia falls within the fourth typology.

1. Right to work in action
2. Right to work in progress
3. Restricted right to work
4. No right but allowed in practice
5. No right and restricted in practice.

Urban refugees in Addis Ababa. Although still relatively small, Addis Ababa's refugee population is the largest urban refugee population in Ethiopia. There are an estimated

31,000 refugees in Addis Ababa, consisting of: registered assisted refugees, Eritrean registered unassisted refugees (Out of Camp Policy, or OCPs) and unassisted unregistered refugees. These refugees represent 21 nationalities and have differing levels of health, education and urban-life experience. Their level of integration varies according to factors such as: knowledge of Amharic, strength of social networks, wealth, cultural affiliation, ethnicity, length of time in country of origin, inter-marriage with Ethiopians, religion and employment. Any intervention targeting urban refugee economies must take into account this heterogeneity and there can be no one-size-fits-all response.

Urban refugees and their livelihood strategies. Though refugees have no *de jure* right to work, informal work is generally tolerated and the research identified four main income sources:

- *Informal employment* was widespread with Eritrean, Somali and Yemeni refugees employed in Ethiopian-owned and refugee-owned informal enterprises. Eritreans tended to be employed in the leisure and hospitality sectors or in other service industries such as hairdressers or laundries. A significant number were also skilled electricians, welders or mechanics. Somalis were often employed in Somali-owned or Somali-Ethiopian owned shops, while Yemenis and Syrians were employed as casual day labourers in construction. Refugees were also employed informally by formal organisations, for example as nurses in private clinics and as translators.
- Refugees ran *informal enterprises* involved in service provision (such as hairdressing, laundry, translation, rental brokers, plumbers and mechanics), retail, leisure and hospitality businesses, and construction. Some enterprises were run under a licence belonging to an Ethiopian. Refugee-owned enterprises varied in size and productivity: some 'surviving', some 'managing' and some 'thriving'.
- *Humanitarian assistance* varied in type and by organisation. All non-OCP registered urban refugees receive monthly financial assistance from the UNHCR. Livelihood assistance is also provided by various nongovernmental organisations (NGOs) in the form of business grants and loans, and skills training.
- *Remittances* were highlighted as a vital income source for urban refugees in Addis Ababa, however access varied across and within different refugee nationalities.

Though government officials suggest that informal work is tolerated, in practice refugees

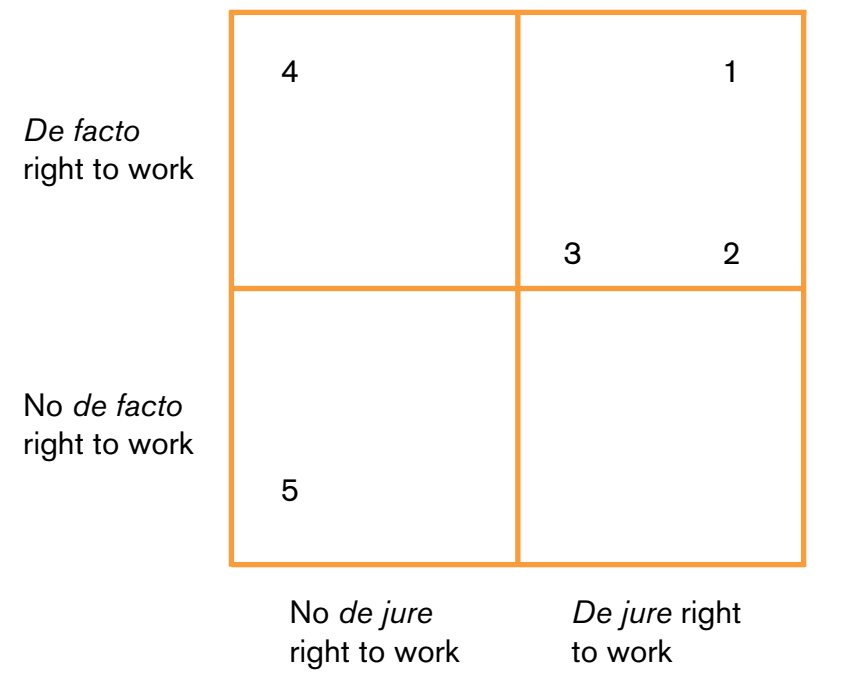
face considerable livelihood challenges, restricting their economic contribution:

- *Limited access to employment* resulting from the lack of a legal right to work is the most significant barrier to securing refugee livelihoods. Providing an affordable and accessible work permit system for refugees is critical — although not sufficient on its own — in helping them to establish stable livelihoods.
- Refugees and Ethiopians both considered that the OCP policy *should extend beyond Eritreans* to include other nationalities.
- With no labour protections, refugees face *workplace discrimination* that includes low wages, wages being withheld or payments being made in the form of ‘incentive money’ rather than regular salaries, or employment being ended arbitrarily.
- *Lack of access to business licenses* means most refugee-run businesses operate under a license belonging to an Ethiopian business, limiting reinvestment and growth potential.
- *Many local officials do not recognise the challenges* of urban refugees.
- Many refugees identified the *lack of Ethiopian language skills* as a barrier to employment and wider assimilation.
- *Women refugees face particular challenges* in managing childcare and income generation, and need additional support.
- *Vulnerable refugees* may be forced into undesirable work such as prostitution and it is imperative that these groups receive help from NGOs.
- Despite extensive government and NGO engagement, many urban refugees are isolated and *strengthening representation* is key.

Linkages, impacts and contributions of refugee economies. The significant impacts of refugee economies on Addis Ababa include:

- *Business agglomerations* are formed and create dynamic new markets for both local and refugee communities. This was particularly visible amongst Eritrean refugees in Gofa (a neighbourhood where many Eritreans live) and Somali refugees in Bole Mikael (south of the city and a centre for the Somali community).
- Refugees *enhance existing enterprises* by creating links with host community businesses and creating new customer and supplier bases. Urban refugees spend their earnings, remittances and assistance money locally and skilled refugees work in local schools, hospitals, nightclubs and formal organisations.

Figure 1. Five typologies of refugee rights to work



However, without a work permit, some skilled refugees are forced into low-skilled work, inhibiting their potential contribution to the host community.

- *Reciprocal employment* was common, as both local and refugee businesses sought to reach customers in the other community. Some ten per cent of the 144 Ethiopian-owned businesses interviewed employ refugees and 67 per cent of businesses said they would hire refugees if it were legal. Moreover, 52 per cent of the 51 refugee-owned businesses employed Ethiopians — as waiters, hairdressers, retail workers, guards and mechanics.
- Refugees *create new markets* in Addis Ababa by providing a consumer base for niche products aimed at a minority or diaspora market. The most notable new market was the import of perfume by Somali refugees. However, barriers in terms of nationality, religion or language sometimes deter Ethiopian customers.
- Refugees and their businesses are also part of broader economic systems that operate at national and international levels, and include cross-border value chains. Specifically, diaspora links *internationalise the local economy* and can be key in generating new commercial opportunities.

Interventions to secure refugee economies in the absence of a right to work. In the current context where there is no *de jure* right for refugees to work, our research points towards

eight possible interventions to help secure refugee economies:

1. **Advocacy:** our Ethiopian case study demonstrates the importance both of advocacy by UNHCR and humanitarian agencies for a right to work, and for small-scale improvements to secure livelihoods.

2. **Enabling self-reliance** by creating a conducive environment for work: measures might include securing workspaces.

3. **Addressing labour protection gaps:** even where an activity is illegal, NGOs have found ways to work with vulnerable communities.

4. **Strengthening representation:** urban refugees are dispersed and strengthening their representation through enabling groups is important for their needs to be identified.

5. **Appropriate business and skills training:** training should be developed based on a solid understanding of both the market and the individual.

6. **Targeting illicit economies:** lack of alternatives or the profit motive lure some refugees into illicit or undesirable activities such as prostitution or smuggling, which must be addressed through encouraging alternative employment and through tighter regulation.

7. **Inclusion in local economic development policy:** though city and district governments often fail to see the contributions refugee economies can make, policymakers should make greater efforts to understand their potential.

8. **Consumer protections:** refugees are often exploited as consumers by being charged excessive prices for goods or services. Their consumer rights should be protected.

Challenges and opportunities in the transition towards a right to work. With the transition from *de facto* to *de jure* rights to work imminent for at least some refugees in Ethiopia, the study identifies seven key challenges and opportunities associated with the transition:

1. **Bureaucracy and work permits:** administrative barriers to gaining work permits must be minimised.

2. **Accessing business licences:** many refugees are self-employed or run micro-enterprises. They need secure space and operating stability, which a business licence would provide.

3. **Employment protections:** refugees have been exploited in the labour market and should have access to labour tribunals or arbitration to reduce employment discrimination.

4. **Joint stakeholder platform:** once legislation is changed, a joint platform with all stakeholders (government, UNHCR, NGOs and refugees) should meet regularly to recommend practical solutions to implementation issues.

5. **Anticipating and managing growth:** introducing a right to work will lead to growth in the refugee workforce. Media and advocacy campaigns can help reduce any tensions with the host community.

6. **Maintaining a safety net:** the need for protection will remain, since not all refugees will be able to work because of ill health or other vulnerabilities.

7. **Wider issues of integration:** even if a right to work is implemented, urban refugees will still need support in facing other challenges, such as language barriers and access to housing.

Conclusion

Refugees in Addis Ababa face considerable economic difficulties and pose many challenges for urban and national authorities. Nevertheless, we have found that refugee economies are diverse and highly integrated into the city's economy, and make significant contributions in terms of job creation and in developing local and international markets. The more refugees can work, the more their communities can achieve, and the less they will depend on national and international assistance. Refugees with a right to work will also see Ethiopia as a place of welcome where they will feel confident enough to invest and plan for the long term. Our research has revealed opportunities for actors in the humanitarian sector to develop refugee economies both today and when Ethiopia implements its CRRF pledge to enhance access to employment.

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Knowledge Products

The International Institute for Environment and Development (IIED) promotes sustainable local development, linking local priorities to global challenges.

The Informal Economy Research Observatory at Cardiff University brings together academics working to understand and develop solutions for the informal economy.

Addis Ababa University specialises in researching the development challenges facing Ethiopia and the wider world.

The Danish Refugee Council (DRC) implements a broad range of activities relevant to conflict-affected communities and people.

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Notes

¹ *De jure* rights are those recognised by official laws, while *de facto* rights exist and are accepted in practice but do not have legal status.