Responses to the refugee crisis

Financial education and the long-term integration of refugees and migrants

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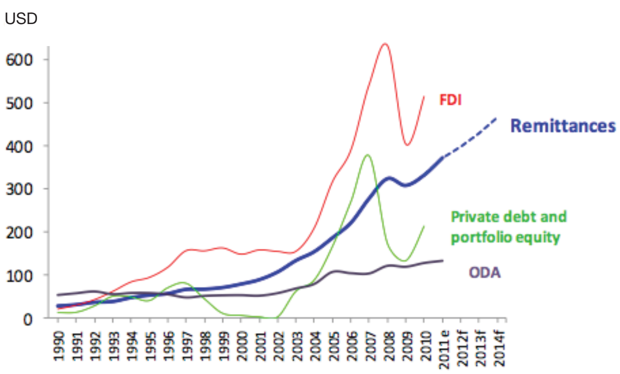
The current inflow of refugees to Europe is unprecedented in terms of the number of people involved and is creating significant challenges for asylum systems and integration policies in host countries.

Beyond the necessary immediate humanitarian response, the successful integration of refugees also depends on how well they adapt to the economic and financial systems in host countries. This includes having a good understanding of the financial landscape and welfare provisions in place. Without such knowledge, refugees risk becoming increasingly vulnerable to poverty and exclusion and may also be more likely to fall victim to fraud and abuse. Such personal disadvantage can in turn be a factor of instability in host countries by contributing to increased social, economic and financial informality and exclusion.

The need for refugees and migrants to be able to access and use appropriate financial and welfare services available in their host countries is already recognised, both at a national and international level. This includes the development of financial competencies to allow them to understand the new financial and social context, to make suitable financial decisions and to actively participate in economic and financial activities in their host countries.

Figure 1. Remittances and other resource flows to developing countries, 1990-2014



e=estimate; f=forecast
Source: Ratha and Silwal, 2012, Migration and Development Brief 18, World Bank.
Notes: FDI= Foreign Direct Investment, ODA= Official development assistance

In this context, financial education can contribute to the longer term policies aimed at facilitating the integration of refugees in a post-crisis scenario. The provision of financial education, as a complement to supply-side financial inclusion initiatives as well as other education and health support, can support refugees and migrants by facilitating social and labour market inclusion as well as improve their (financial) well-being.

Money management among refugees and migrants

One in seven individuals in the world is currently a migrant according to estimates, having migrated internally or across borders (World Bank, 2014). The International Labour Organisation (ILO) estimates that there are 232 million international migrants. Figure 1 shows that officially-recorded remittance flows to developing countries are estimated to have reached USD 372 billion in 2011, far exceeding growth in official development assistance to developing countries (Ratha et al, 2012). These flows are likely to swell in future years, mirroring recent political and economic migration trends.

The importance of being able to transfer money across borders cannot be overlooked, but the needs of refugees and migrants in general to access financial products and services goes far beyond the need to remit. They also need to be able to manage money in their host country, and may require a variety of financial products and services including savings products, electronic payment facilities and access to credit and insurance. Refugees' specific difficulties (as a sub-group of migrants) are potentially compounded by the urgency of their situation, their migration to countries that they know little about (and where they cannot immediately rely on existing support networks) and their limited possibility to liaise with family members at home or elsewhere.

Barriers to financial inclusion

1. An underdeveloped financial services industry and financial consumer protection in the home and/or host country

- Lack of a mature financial services industry in the home country or village
- Lack of banking infrastructure
- Lack of appropriate products for migrants in their host country or town
- Unsatisfactory product design and terms and conditions[1]
- Anticipated or actual difficulty providing required proof of identity
- Lack of a transparent, accessible complaints handling procedures

2. Cultural and social attitudes, trust and confidence

- Lack of familiarity with the system
- Cultural or religious differences
- Mistrust of financial services
- Misunderstanding or mistrust about the role of the banking sector in identifying illegal immigration
- Fear about the extent to which money and transactions can be traced

3. Knowledge, skills and access to services, including education

- Limited language skills or low levels of literacy and numeracy
- Lack of confidence, experience or ability to access telecommunications and internet technology[2]
- Low levels of financial literacy
- Inadequate provision of financial education

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[1]International standards on anti-money laundering and counter-terrorist financing, defined by the Financial Action Task Force (FATF) require that financial institutions know who their customers are. FATF takes a risk-based approach which avoids excessive or unnecessary requirements and allows flexibility. However, certain activities such as transactions with high-risk countries may trigger additional identification requirements.

[2]This also poses a risk to the excluded, who may resort to sharing their personal information with third parties in order to gain some level of access, or use shared computers without fully understanding how to keep their information and transactions secure.

Source: Atkinson. A and F. Messy (2013)

Access to financial services

A number of barriers are likely to hinder access to, and use of, formal financial services amongst refugees and migrants. For many refugees and migrants, a lack of stability and time make it difficult to research financial products or seek advice. For low-income workers who are paid by the hour, the opportunity cost of stopping work in order to address such issues is particularly acute. Certain other barriers are common among various groups of people facing financial exclusion are also more pronounced among refugees and migrants, including a lack of documentation (including proof of address), language barriers and a lack of trust in the financial sector (Atkinson and Messy, 2013; Orozco and Jewers, 2014).

Beyond various supply and demand side barriers to greater access and use of formal financial services, refugees and migrants often lack familiarity with the language as well as the financial and welfare system in the host country. They lack confidence in or misunderstand the role of the banking sector (including in identifying illegal immigration) and more generally, have limited knowledge and skills to understand the terms and features of different financial products and services. These limitations tend to persist and be transmitted to children of migrants once they have settled in the host country. OECD PISA research indicates that students with an immigrant background have lower levels of financial literacy than other students (OECD, 2014).

Complex money management

Irrespective of their access to financial products, refugees and migrants need to be able to effectively manage their financial situation, income and expenses in both the immediate and longer term. Even if most transactions are undertaken in cash it is beneficial to understand and know how to calculate exchange rates, to know how to budget and make effective use of financial resources, how to keep records of money sent and received, and how to smooth irregular cash flows. They should also be aware of the fees they are paying to make money transfers even when sending cash through informal channels, and how these are being deducted from the final amount received. Managing the uncertainty of varying inflation in home and host country may also be important and it may be necessary to understand the tax implications of different financial decisions, particularly in the longer term.

The need for financial education

Good quality financial education for refugees and migrants as a complement to supply-side financial inclusion initiatives and financial consumer protection therefore appears to be an important component of any attempt to support these vulnerable groups, reduce poverty and increase financial well-being and financial stability. Financial education can offer immediate benefits to individuals and households who have to make

International work on migration to strengthen development

The OECD and its International Network on Financial Education (INFE), and the G20, through the Global Partnership on Financial Inclusion (GPFI) sub-group on Financial Literacy and Financial Consumer Protection, are addressing the specific needs of migrants as part of more holistic efforts to address demand-side barriers to financial inclusion.

In addition, several international organisations recognise the potential benefit of supporting refugees and migrants by facilitating remittance payments and developing financial education tools.

Examples include:

- G20 work on Growth with Resilience includes a Global Remittances Working Group
- The International Fund for Agricultural Development's Financing Facility for Remittances
- The World Bank's Payment Systems Development Group
- The ILO's detailed training package to help organisations to teach (prospective) migrant workers and their families about money and how to use it wisely
- GIZ's handbook on financial literacy for remittances and diaspora investments
- The Microfinance Centre's module on Remittances and Plan your Future (www.mfc.org.pl/en/content/ modules).

Emerging evidence of effectiveness

Seshan and Yang found noticeable impact from a single financial education seminar held for Indian migrants in Qatar, with the largest change observed amongst those who originally had low levels of savings (Seshan, G. and D. Yang (2014)). Their findings indicate the benefit of financial education to those who stand to benefit the most, and the authors also suggest that more targeted financial education programmes may have better outcomes across all migrants. In Australia and New Zealand, the World Bank provided guidance on choosing remittance products to workers who had migrated from the Pacific Islands, East Asia, and Sri Lanka. Whilst this increased knowledge it did not have discernible impact on the use of cheaper remittance products, or on the amount and frequency of sending money home (Gibson et al, 2012). In contrast, in Indonesia, the World Bank partnered with the Government to undertake a randomised trial to induce savings amongst migrants through financial education aimed either at migrants, the families of migrants, or both the migrant and their family (Doi et al, 2012). The findings support the effort to target both migrants and their families, showing large behaviour changes in terms of saving and borrowing – with more of the remittances being saved by families, and a lower reliance on credit amongst migrant workers. Knowledge was also shown to increase.

The children of migrants also stand to benefit from receiving financial education themselves and from having better informed parents. New findings from the OECD PISA exercise show that the immigrant status of 15-year-olds (based on whether they or at least one of their parents was born abroad) is associated with their performance in financial literacy (Figure 2). On average across the 13 OECD countries and economies studied, students without an immigrant background achieve 37 points more than students with an immigrant background, and some of this difference remains even when comparing across students who speak the same language at home and have a similar socio-economic background, maths and reading performance (OECD, 2014).

key financial decisions that will have an impact on their future, whilst also providing them with the knowledge and skills to make longer-term financial plans.

Financial education can also help refugees and migrants to become familiar with the new financial landscape that they find themselves in, understand the relevant terminology and technology and gain confidence when interacting with financial service providers.

For some migrants and refugees, a thorough understanding of credit may be the most urgent financial issue that can be tackled through education. This includes calculating the amount owing, understanding the impact of interest payments and knowing when to prioritise repayments over other financial demands. This may be particularly important when migrant workers arrive in their host country with an outstanding debt caused by borrowing money to pay an agent or buy travel tickets. This is an invaluable skill for those migrant workers who might consider borrowing money to send home to family or for use in their host country (on accommodation or transport costs for example).

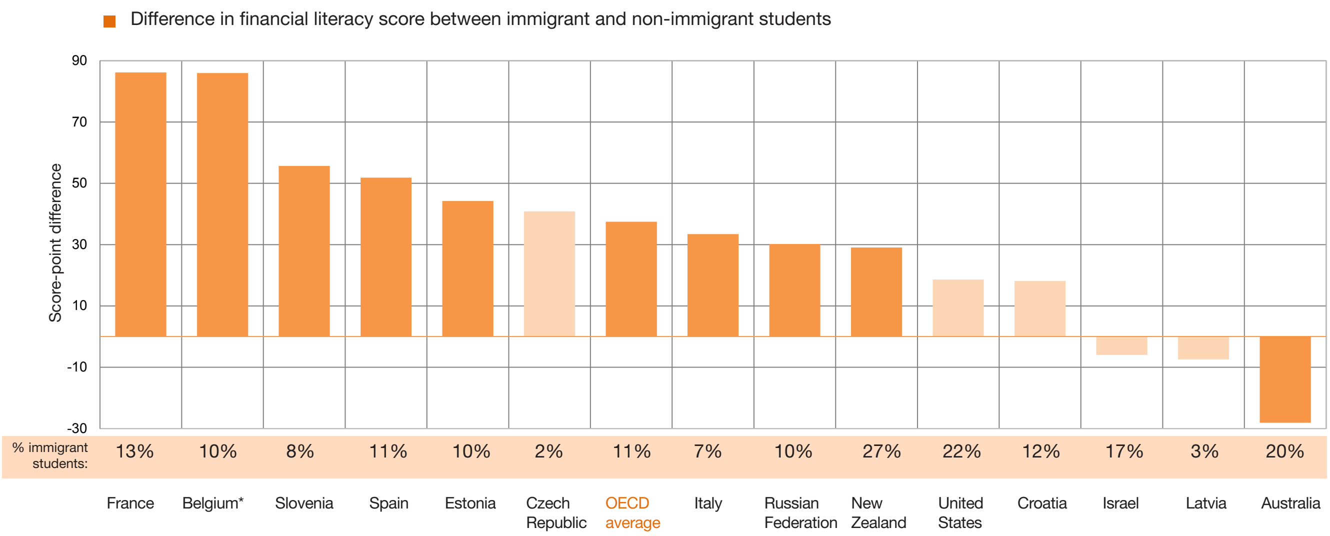
Policy efforts are limited

Whilst considerable work is being done internationally to create financial education toolkits for those working with migrants, migrants' access to financial education is variable. Holistic approaches to reaching migrants and their families with financial education and financial inclusion initiatives are rare. In addition, countries' goals and policies on migration and migrants are not necessarily fully aligned. There appear to be several reasons for this, of which the following stand out:

- Political sensitivities in some countries can make it difficult to allocate resources to support migrants, particularly if the benefit is accrued in other countries.
- In most countries, national financial education initiatives do not identify either migrants or their families as important target groups for financial education or discuss the specific financial education needs of such groups.
- A strategy designed to support new-comers needs to provide information in multiple languages and keep in mind the range of backgrounds that these migrants come from.
- The home country is not always in position to collaborate with international efforts or efforts from host countries.

Countries that do recognise the importance of supporting migrants and their families are at different stages in terms of planning and implementing a practical solution.

Figure 2. Difference in financial literacy performance between immigrant and non-immigrant students



**Flemish Community*

Notes: Score-point differences that are statistically significant are marked in a darker tone. A positive difference indicates that immigrant students have lower scores than other students, on average. OECD average based on 13 participating countries and economies. Statistically significant differences remain in Estonia, France, Spain, and the OECD average even after accounting for socio-economic status, language spoken at home, and performance in maths and reading. In Australia, the difference becomes positive and remains significant.

Source: OECD, PISA 2012 Database, Table VI.3.10

In particular, some host countries, including Australia, Canada and the United States, are making efforts to support migrants and their families, but this is far from universal. Elsewhere, NGOs and other stakeholders are also trying to fill the gaps in provision, and are providing a valuable contribution in many countries, albeit on an ad hoc basis.

Key policy directions

Refugees and migrants need to be recognised as specific target groups for financial education and financial inclusion initiatives. In addition to needing the same financial education and products as the general population they also need products, knowledge and skills that are specific to their situation.

Targeting refugees and migrants can be difficult. In this respect, a co-ordinated approach to supporting refugees and migrants that combines the provision of essential healthcare, general education and guidance may offer the best opportunity to incorporate financial education. This can be particularly relevant as part of the settlement and integration policies and programmes implemented by host countries during the current refugee crisis.

In some countries, the large size of the inflowing population suggests that financial education approaches could take the form of widespread information campaigns. These could include articles in newspapers or on social media using the languages of the newcomers, and clearly written information provided through employers and schools. Elsewhere, stakeholders working on financial education or financial inclusion initiatives should be sensitised to the specific needs of refugees and migrants; and those stakeholders with access to these target groups should be informed of the importance and relevance of providing them with financial education.

Given the global phenomenon of migration and remittances, financial education activities for migrants and refugees can best occur on an international or regional level and/or across key migrant/refugee corridors. Host countries should be encouraged to work together to support migrants and their families; this can be particularly relevant during the current refugee crisis, where countries could adopt a cross-host country approach. This could increase the effectiveness of the response, maximise access to the target group, drawing in particular on materials and resources in national languages that recognise and respect cultural, social and religious differences. This co-ordination should be designed to reflect ongoing supply-side efforts to increase financial inclusion, which will hopefully result in a step change in terms of financial product choices for migrants and other vulnerable groups in the near future.

As part of a holistic policy response to support the integration of refugees and migrants, the OECD will continue working with host (and home when feasible) countries to design effective financial education approaches based on evidence and promote cross-country co-operation and partnership.

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