

Beyond boundaries

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Doctoral dissertation

**BEYOND BOUNDARIES:
INTEGRATING REFUGEES AND
CONSOLIDATING FARMLAND.
ESSAYS IN EXPERIMENTAL AND
DEVELOPMENT ECONOMICS**

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2024

Synopsis

This dissertation comprises three self-contained essays. The first two chapters explore the role of the private sector in fostering social cohesion and labor market integration between native firms, workers, and skilled refugee workers. Chapter 1 asks if work contact between native workers and refugee workers can lead to stronger social cohesion between groups. Chapter 2 studies the effect of contact in the workplace with a refugee worker on native employers' willingness to hire refugees. Instead, Chapter 3 focuses on land markets: it examines if well-designed land trading rules can alleviate challenges in low-income countries' agriculture by addressing inefficiencies and fragmentation.

Despite the diversity across the chapters, a common theme prevails as they collectively investigate strategies to transcend social and physical boundaries in low-income countries. Furthermore, all the chapters employ experimental methodologies – including randomized controlled trials and lab-in-the-field experiments – along with primary data to address important research questions and fill research gaps in the development economics field. These studies were conducted within the contexts of Uganda and Kenya, both of which are burgeoning economies in East Africa.

Chapter 1: Contact in the Workplace and Social Cohesion: Experimental Evidence from Uganda.

with Francesco Loiacono

Social cohesion is a key factor for growth and development, especially in countries with high levels of diversity. However, forced displacement can threaten this cohesion by disrupting and changing social relations in host countries. According to the UNHCR, there are currently around 110 million forcibly displaced people, with 36.4 million being refugees. Researchers, governments, and international organizations in refugees' host countries are therefore interested in understanding what policies or

programs can enhance social cohesion with conflict-affected populations. This question is of particular importance for low- and middle-income countries, that host three-quarters of the world's refugees.

This chapter delves into the impact of workplace contact on enhancing social cohesion between native and refugee workers in Uganda, the largest refugee-host country in Africa. We run a randomized controlled trial where 377 refugees and 273 local workers were matched with each other and randomly placed into a control group and three types of work contact treatments: (i) a direct contact treatment where refugees completed a 1-week internship at a local firm; (ii) an indirect contact treatment where participants watch a video documentary showing the daily interactions of a refugee and a Ugandan working together in a firm in Kampala; (iii) both.

To assess the impact of work contact on social cohesion between refugees and local workers, we define a new compound measure of social cohesion that comprises several dimensions: implicit bias against the out-group is the first outcome variable, gauged using two implicit association tests (IATs) targeting distinct dimensions of bias: general bias and work-related bias. Explicit bias is the second outcome, determined by amalgamating explicit stereotypes and negative attitudes into an index. Behavioral outcomes, both real-world and hypothetical, constitute the final set of measures.

Our sets of results are two. First, we find an overall positive impact of work contact on social cohesion. Work contact decreases explicit bias both among local and refugee workers. At the same time, implicit bias increases among both groups of workers, and the increase is significant for local workers. Second, actual behaviors move in the same direction as explicit bias, however: treated local workers are more willing to have a refugee business partner in a hypothetical scenario, while more refugees are willing to work in a similar internship program in the future, especially with Ugandan firms. This effect is large as it is equivalent to a 90% increase over the mean. We also find that treated refugees are less willing to have any partner in a hypothetical business scenario. Together, we interpret these results as evidence that through

work contact, refugee workers learn that they can look for salaried jobs in established firms instead of becoming self-employed.

The fact that implicit bias increases while explicit bias and behaviors improve is intriguing. We provide suggestive evidence regarding local workers' increase in implicit bias as not being driven by negative work contact but rather by the fear of increased job competition: through work contact with a refugee, local workers learn that refugee workers are more skilled than they initially believed. Second, an increase in implicit bias does not translate into discriminatory behavior, as the effect on the behavioral outcomes is positive.

Our study also makes several methodological contributions. First, we measure biases and behavioral change with contact both for the majority group (i.e. the local workers) and the minority group (i.e. the refugees). Second, by measuring both implicit bias and explicit bias and reported behaviors, we can use the latter to interpret the former and thus contribute to the discussion on how to measure and interpret implicit bias through implicit association tests (IATs). Third, we take seriously the possibility of experimenter demand effects and design a number of safeguards to protect against them, such as collecting behavioral measures, matching enumerators and respondents by nationality and eliciting respondents' beliefs about the study's purpose.

Chapter 2: Matching with the Right Attitude: the Effect of Matching Firms with Refugee Workers.

with Francesco Loiacono

Immigrants, notably refugees, represent a highly vulnerable global population, often grappling with unemployment, leading to untapped potential and societal costs. Integrating refugees into the labor market faces challenges due to factors like inadequate human capital, entry barriers, and cultural differences affecting employer perceptions. The high offer of native labor supply discourages firms from gathering the necessary information to counter their biases, spurring labor market policies like internships and hiring subsidies to enhance refugee em-

ployment prospects and overall labor market efficiency by hiring skilled workers.

In this chapter, we study the effect of reducing demand-side frictions to hire a refugee worker by running a randomized control trial in Uganda. The country is the ideal setting to explore refugee labor market integration. As Africa's primary refugee-hosting nation, Uganda upholds an open policy that grants refugees unrestricted movement within its borders, facilitating employment opportunities. The experiment focuses on assessing both short- and long-term effects on native firms' willingness to hire refugees, following a one-week internship by skilled refugees. The firms are the same as in Chapter 1, but in this chapter, we focus on a different sample: firm owners and managers.

Our findings reveal that firms exhibiting positive attitudes towards refugees, when (randomly) paired with refugees holding positive attitudes towards locals, significantly increase their willingness to hire a (generic) refugee worker within a week after the experiment's conclusion. Conversely, firms with negative attitudes towards refugees, matched with refugees sharing similar negative attitudes towards locals, experience a decrease in willingness to hire.

Finally, and crucially, we find that the one-week exposure intervention had a substantial impact on actual hirings, with a larger effect in the sub-group of firms that initially had a positive attitude toward refugees and were (randomly) matched with a refugee with positive attitudes toward natives. The effect we estimate can be interpreted as an externality: a match with a refugee with a positive attitude toward locals increases the firm's willingness to hire refugees in general, especially so when the firm manager's initial attitudes toward refugees are also positive. Attitudes are complementary and reinforce the effect of contact in the workplace.

Taken together, our findings have important policy implications. We show that a short-term exposure intervention can result in longer-run increases in employment for an especially vulnerable group like refugees, but that the size of the effect depends on the initial match quality.

Chapter 3: Market Design for Land Trade: Evidence from Uganda and Kenya.

with Gharad Bryan, Jonathan de Quidt, Tom Wilkening and Nitin Yadav

Inefficient land allocation reduces productivity in low-income countries' agriculture. Farms are small and fragmented, despite the fact that labor and total factor productivity increase with farm size. Land is also misallocated – there is substantial heterogeneity in farmer productivity but almost no correlation between farmer productivity and land holding. These inefficiencies suggest large unrealized gains from trade, a claim borne out by quantitative and experimental analyses. We argue that improved market design can help unlock these gains by creating trading rules tailored to address key frictions in the land market, and note that it is likely complementary to other institutions, such as property rights, that are more often emphasized.

In the tradition of the market design literature, our exploration takes place within the confines of a simplified, lab-in-the-field, environment. We run the different experiments in Uganda and Kenya. We believe our designs capture the key constraints that market design can address, and abstract from problems that are best addressed elsewhere. For example, we do not allow for risk of fraud. While fraud may be an important part of what constrains land trade, we think that this is best addressed through complementary policies, rather than directly in the market design. The upshot of this is that our estimates of the impact of market design should be seen as conditional on getting other institutions right. Whether real-world gains would be larger or smaller depends on the extent of complementarity between market design and other programs, and it may well be that market design is a strong complement to other interventions.

We build our argument in three steps. First, we document, with a survey of smallholder farmers in Uganda, that decentralized land trade—based on buyers and sellers bargaining over individual plots—is likely to be inefficient. Farmers believe their trading environment has key

characteristics that the market design literature predicts will inhibit trade. Second, we provide lab-in-the-field evidence that decentralized trade is indeed inefficient. We build a stylized representation of the environment, consistent with our survey evidence, in which real farmers trade fictitious land titles with strong financial incentives. We let them trade for a week without any formal trading rules, and show that the final allocation is far from efficient. Third, we show that specifying rules targeting the market frictions we highlight improves outcomes in the same land trade game. We tested interventions that range from simple, easy-to-understand rules that would be expected to facilitate trade in a wide range of problems, to rules that are highly tailored to the land trade problem but potentially difficult for our target audience to understand. Overall, we find that increasingly tailored rules, despite their increasing complexity, consistently improve efficiency without increasing inequality.