

REFUGEE LABOUR INCLUSION: Turkey and the Kurdistan Region of Iraq



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Executive Summary

The following report is an assessment of the viability and the modalities of including Syrian refugees in the labour markets of the following host states: the Kurdistan Region of Iraq, and Turkey. Due to a lack of data available on refugee skillsets, the ability to quantify absorption capacity by sector was limited. As a result, this analysis is heavily based on qualitative research.

Findings from the Kurdistan Region of Iraq implied difficulty in integration of Syrian refugees due to a series of economic shocks, including the limitation of payments from the central government, Da'esh control, and high number of IDPs. In spite of employment programmes for refugees, including subsidised wages and cash-for-work, long term employment has not been a successful venture due to overall economic struggle and lack of incentive to hire them. There may be potential for turnaround following reduced Da'esh presence in the region.

Turkey's economy has a higher potential for integration due to its much larger scope and more highly sophisticated economic development. Agriculture is an important contributor to the Turkish economy, as Turkey is one of a few countries almost entirely food sufficient. Considering that Syrian refugees have exhibited skills in agriculture, it is likely that there is an alignment between refugee skill and Turkish economic demand. Other sectors of possible increased inclusion include infrastructure and services, both of which have high informal refugee presence.

Part 1: Introduction

1.1 Background and Situation Analysis

The coordination framework that has evolved to respond to refugee crises is structured around a 'partnership' whereby host states (principally low and middle income countries) shelter the displaced and donor states offset the associated costs through humanitarian funding. This framework is proving inadequate to deal with the scale and complexity of current displacement trends. Today more than half of refugees live in protracted situations. The absence of binding rules on burden sharing to balance the peremptory norm of non-refoulement mean that donor states tend to scale-back aid once the emergency phase has passed, leaving host states to assume an increased proportion of the costs and exacerbating social cohesion challenges. This situation might be best likened to host states providing a global public good. Like other public goods, some states are able to 'free ride' on the provision of refugee protection by hosts, but are not compelled to share the associated burdens.

This imbalance between protection and burden-sharing is compounded by the fact that, in most host states in the global south, there are restrictions on refugees' ability to enter the workforce, except in very specific cases. Refugees predominantly rely on savings and assistance from humanitarian agencies. As these resources become scarce, more refugees seek work in the informal sector, where they are exposed to exploitation, unsafe working conditions and other risks. Growth of the informal sector also has negative implications on the economic development of the host state, by undermining the tax base, distorting spending and compromising the rule of law. This situation feeds the perception of refugees as inherently burdensome on host states.

As demonstrated in the recent Euro-refugee crisis, in such contexts the entrepreneurial, educated and employable will seek irregular migration. One outcome has been a realisation that if donor states are not willing to host refugees (at least at a comparable scale as first country asylum states), opportunities need to be created to discourage refugees from secondary movement and host states need more and better options to enable this. Arguably, a broader re-conceptualisation of refugee response is needed, towards approaches that recognise (i) host state needs and priorities, including ones that predate the refugee crisis (ii) refugee self-sufficiency, skill retention and skill acquisition and (iii) more efficient utilisation of scarce donor funds for the purposes of development, resilience and peace-building. A budding question is how might the presence of a large refugee population come to be reconceived as a genuine opportunity for the host state? What scope is there for greater inclusion of refugees in the economic development of host states in ways that would also yield tangible benefits to refugees themselves? Might it even be possible to harness refugees' skills and expertise on a larger scale to effect transformational change vis-à-vis the host state's macroeconomic development goals?

The lynchpin in such a transition is how labour rights are approached and accommodated. Access to livelihood opportunities is vastly preferable from the perspective of most refugees. Host state economies also often benefit from refugee labour, through diversification, innovation and skill transfer. Moreover, host states become well positioned to negotiate a rechanneling of funds earmarked humanitarian assistance towards infrastructure and investment, re-negotiated trade agreements, concessions, loans etc. From a social cohesion perspective, it is also desirable that

refugees be perceived as contributing to host state economic goals as opposed to being socio-economic burdens and drivers of unemployment. Finally, for donors, stimulus investments to secure working rights is a more productive use of funds vis-à-vis humanitarian assistance; such approaches may also respond to calls for a better joining-up of humanitarian and development assistance, and the emerging emphasis on resilience. There may even be longer-term benefits. As discussed, in the absence of opportunity, refugees will seek better conditions elsewhere. Such refugees are disproportionately young males, the entrepreneurial and those with employable skill sets. From a utilitarian perspective, it is preferable that these people remain in first asylum states, retaining their skills, so that they can eventually repatriate and contribute to post-conflict reconstruction and state-building. For the advocated shift in approach to materialise, both international stakeholders and host states require an evidence base that maps the outcomes that accrue when host states elaborate labour rights.

1.2 Existing Evidence on Labour Market Inclusion

The extant literature assessing the impact of refugee influxes on labour markets is underdeveloped, inconsistent and lacking in empirical rigor. One of the few comprehensive studies examined 525 adult refugees resettled to Canada between 1992-1997 from the former Yugoslavia, Africa and WANA region who previously occupied managerial or professional positions. It found that, despite their skills, educational qualifications and theoretical equal access to the job market, they were consistently more likely to face higher rates of unemployment, part time employment and temporary employment than Canadian-born individuals.¹

A more comprehensive and reliable evidence base is the literature on migration. By 2013, 86 percent of the 96 million international migrants residing in developed economies came from the so-called 'Global South' — a total of 82 million persons.² The impact on receiving countries affects several domains — labour markets, wages, social attitudes, and governance — in different ways. To summarise, at moderate levels, migration seems to have a positive effect on incomes within higher wage brackets, but a negative effect on those in lower wage brackets (the poor tend to compete with migrants, forcing wages down). Migration, however, creates new opportunities, stimulates innovation and facilitates the growth of certain sectors. Where migration is rapid and uncontrolled the socio-cultural impacts can be negative; these include an increase in the cost of social housing, lower standards of living, and even reduced levels of happiness.³ Overall, when the economic benefits are weighed against losses in social capital — immigration decreases levels of trust between and within groups and discourages skills investment in the indigenous labour market — the overall impacts of migration are nominal.⁴

¹ Krahn, Harvey, Tracey Derwing, Marlene Mulder, and Lori Wilkinson. "Educated and underemployed: Refugee integration into the Canadian labour market." *Journal of International Migration and Integration*, no. 1 (March 2000): 59-84. doi:10.1007/s12134-000-1008-2. A study of refugee integration from the former Yugoslavia, Africa and WANA in the Australian economy found that all groups saw themselves as having integration potential due to the host community's perception of them as economic burdens. Colic-Peisker, Val, and Farida Tilbury. "Integration into the Australian Labour Market: The Experience of Three "Visibly Different" Groups of Recently Arrived Refugees." *International Migration* 45, no. 1 (2007): 59-85. doi:10.1111/j.1468-2435.2007.00396.x.

² United Nations Department of Economic and Social Affairs, *International Migration Report*, Report No. 346 (2013) 1.

³ Collier, Paul *Exodus* (2014) 114, 132-139. The question of whether the notion of happiness is a legitimate measure of well-being is still debatable amongst economists, but is nonetheless being increasingly included in measurements of overall well-being.

⁴ *Ibid* 111-116, 74, 126-128, 138-139.

To what extent can such conclusions be applied to refugee contexts? Indeed, the key difference between migrants and refugees is that the former are self-selecting (migrants make rational decisions to take advantage of differentials in income and well-being that exist between lower-income and higher-income economies and the latter are not. There is also evidence that migrants are atypically entrepreneurial, innovative and robust (in the US, for example, migrants and their children account for a disproportionate number of patented inventions), as well as anecdotal accounts of migrants who escaped poverty to become business and innovation leaders in the West (for example, Tidjane Thiam who left Cote d'Ivoire to become the CEO of Credit Suisse).⁵ Other evidence, however, supports the idea that the impacts of migration and refugee influx on receiving states may be comparable. Some empirical studies, for example, suggest that it is the process of migration that drives exceptionalism, as opposed to pre-existing personal characteristics.⁶ Indeed, a comparison of immigrants and refugees resettled in Sweden and Canada demonstrate that employment trajectories are similar, particularly that they are more likely to be underemployed or employed below their qualification level.⁷

Perhaps the more important nuance is that migration usually targets developed countries, whereas refugees are predominately hosted by developing countries. Indeed, the evidence is that 90 percent are hosted in the global south and the top 10 countries of origin are from the developing world. Emigrants are more economically productive in developed countries, not because of their personal or academic characteristics, but because of such countries' inclusive and functional institutions. Where the same labour profiles are applied to countries with non-inclusive and dysfunctional institutions, such gains in productivity are not reaped. Moreover, in migration contexts, there are usually skills gaps present in the economy (hence the migration policy). The skills held by migrants tend to complement, rather than compete, with national employee profiles, creating growth and new opportunity. In developing country contexts, where economies are stagnate or otherwise struggling with high unemployment, markets do not have the capacity to absorb refugees.

There may be situations, however, where the host economy's comparative advantage is the production of low-cost exports. Here, an increase in the supply of low cost labour can have positive impacts on labour supply. It can lead to occupational upgrades as low-skilled nationals transition from informal to formal employment. It can facilitate market expansion including into horizontal value chains. Indeed, a productive, sustainable industrial base has been long hailed for creating jobs, transferring developmental know-how, expanding a state's export base, and offering an invitation into the competitive global economy. Finally, where the labour supply injection brings new skills, this may facilitate diversification or start a process of structural change to shift production towards more value-added and knowledge-intense activities.⁸ Each of these steps, however, require large-scale capital investment.

⁵ Ibid 69, 117, 190-191.

⁶ Ibid 117.

⁷ Bevelander, Pieter. "The employment integration of immigrants in Sweden." 25, no. 3 (1999). doi:<http://dx.doi.org/10.1080/1369183X.1999.9976695>.

⁸ United Nations Economic and Social Council for Western Asia (ESCWA), *Measurement and Analysis of Poverty in Jordan* (2014), 25.

The evidence suggests that there may be additional stakeholders that benefit from foreign labour market inclusion in refugee contexts.⁹ In migration contexts, for countries of origin, worker emigration creates a fiscal loss in terms of foregone tax revenues. This may contribute to worsening income inequality because the fiscal resources available for income redistribution are decreased.¹⁰ It also results in ‘brain drain’ — the loss of people who might have played important economic or political roles in society. On the other hand, emigration drives remittances — the money sent back to countries of origin from those accruing economic gains abroad. Remittances are an important source of income in developing and conflict-affected countries, especially for the poorest and most disadvantaged. When these externalities are taken together, where migration is moderate, and the country of origin is medium-sized or growing, ‘brain drain’ is largely compensated for by remittances. However for poor, small countries — because the incentives to leave and not return are so high — migration often surpasses a tipping point beyond which any benefits associated with remittances can accrue. Such dynamics can be seen playing out in many countries in the West Asia-North Africa region, including Jordan, Lebanon and Palestine. Excessive net outflows of talent constitute a serious setback for advancing knowledge-based economies by exacerbating the disconnect between policy makers and intellectual elites and driving remittance-induced inflation and unemployment.

However, this situation reverses dramatically if emigrants return. The reason lies in the institutional and political differentials between poor and wealthy countries. Acemoglu and Robinson argue that poor countries are poor because they lack ‘inclusive’ economic and political institutions, which encourage productive growth and innovation by providing secure property rights and opportunities, and distribute political power widely and income fairly equally.¹¹ Critically, emigrants learn and absorb the norms and characteristics of these institutions, and they take these with them back to their countries of origin if they decide to repatriate. Whether they left for education or employment, the evidence is that returning migrants are disproportionately and positively influential on their societies. Moreover, that this influence is wide — from democratic values, to electoral participation and family planning. The transformative potential of migration thus rests, not in remittances or income gains, but in idea and norm transfer.¹² The issue then is how countries of origin retrieve this stock of economic and social human capital. In migration contexts, the challenge is that countries of origin are weak actors when it comes to regulating migration; control lies in the immigration policies of receiving countries. Moreover, the smaller and poorer the country of origin, the lower the incentives for emigrants to return because of the lack of opportunity vis-à-vis high-income host countries.

Again, the extent to which this applies to refugees depends largely on the institutional context they are entering. But in terms of a country ‘recovering’ its human capital, the situation is more simple; a majority of refugees return when conditions are suitable. This does, however, leave a thorny question with respect to resettled refugees and refugees who make secondary moves to more developed economies, thus placing them in a category akin to economic migrants. Refugees in both categories are likely to be more educated and entrepreneurial, raising an argument of whether

⁹ Collier, above n 3 146, 171-173, 245.

¹⁰ S Monaptra, B Moreno-Dodson, and D Ratha, ‘Economic Premise’ *The World Bank*, 80 (2012), 1.

¹¹ Acemoglu and Robinson, *Why Nations Fail: The Origins of Power, Prosperity and Poverty* (2012) 430, 308-309.

¹² P Collier above n 3 187-192, 221-222.

conflict-affected, refugee producing countries should be protected from losing their human capital permanently through resettlement or host labour market inclusion. This is certainly not to suggest that governments such as the Assad regime should be protected from any form of out-migration; this obviously stands in antithesis to the right of refugees to seek asylum. At the same time, refugees that are strategically resettled or absorbed into economies in large numbers are increasingly being understood as an economic asset for growth and development. President Obama's welcoming into the US of Syrian scientist, Refaai Hamoo as a refugee, showcases the intellectual and development losses that countries of origin suffer as a result of refugee resettlement, and the benefits that recipient countries can gain.

These are complex questions because they touch on the sensitive issues of protection, the limits of market capitalism and Western interventionism. Such sensitivities within the refugee discourse have largely crowded out any discussion of how countries can retrieve this stock of economic and social human capital. Yet it is a mistake to shy away from discussions because their connotations are unpleasant. Countries that receive resettled and secondary-movement refugees need to think seriously about the social and economic externalities such emigration creates. What policy measures, for example, might be set in place to convince a Syrian scientist who has made their way to Germany, or an economist resettled in the UK, to use their skills to rebuild and/or strengthen the economies from which they hailed? And what are the ethical obligations of labour-importing countries to protect countries of origin from losing out to poorly regulated out-migration?

1.3 Research Objectives and Methodology Design

One clear outcome of the above discussion is that a better evidence base on the impacts of refugee labour market impact is required, especially to tease out the differences between migration and refugee dynamics. As the migration literature suggests, there will likely be a range of 'winners' and 'losers': refugees, host states, countries of origin, and in this case donors. Any research experiment needs to take into account these different interest sets.

An opportunity currently exists to further develop such evidence. Since the beginning of the Syrian refugee crisis in 2011, the four principal host states have taken different approaches to the issue of former labour market inclusion. At one extreme, in the Kurdistan Region of Iraq, the administration's position was that Syrians registered with UNHCR, or those who had a residency card, had free access to employment. Moreover there is no official employment ratios imposed vis-a-vis Kurdish Iraqis. In Lebanon, refugees initially enjoyed unhindered labour market access with a work permit by virtue of pre-existing labour agreements. The government, however, later imposed a set of restrictions limiting refugees to work in only three sectors, and then required refugees to pledge not to work at all (although this latter condition was repealed in mid-2016). In Turkey, the government passed a law in January 2016 that allowed Syrian refugees to apply for work permits. Shortly after, Jordan committed to provide 200,000 work opportunities for Syrian refugees and to introduce regulatory changes to ease formal workplace inclusion, such as granting exemptions on work permit fees in those sectors open to foreign employment, and a 'grace period' for Syrians working informally to regularise their status.

Such moves were not necessarily driven by humanitarian concern. In February 2015, host states released strategies for refugee labour market inclusion and job creation conditional upon

unprecedented increases in donor funding, concessional loans and agreements pertaining to market access. For Lebanon and Jordan, investment-driven job creation to open up high-growth sectors and value-added economic activity is imperative if these states are to lift itself out of middle-income status. The best opportunity to realise this would be to channel foreign aid pledges into strategic sectors, labour-intensive infrastructure projects (roads, railways, water-piping), and by enabling the evolution of new fledgling sectors, such as renewable energy. For the Kurdistan Region of Iraq and Turkey, such a transition was already in motion, although they faced some impediments.

Putting commitments into practice has not been smooth. Initial evidence in Jordan, Lebanon and Turkey is that the provision of access to work permits was not sufficient to facilitate meaningful labour market inclusion. Much of the appeal of Syrian workers lay in their informal status; they can be employed cheaply, and without employers having to pay social security or secure permits. Moreover, legalisation imposed costs that employers were reluctant to bear, including both tangibles such as minimum remuneration, and intangibles such as fair working conditions. To promote formalisation, incentives are likely to be necessary, both for refugees and for employers. This is problematic insofar as donor willingness to made good on their pledges is somewhat contingent on a level of formalisation taking place. It is also problematic for host states as they continue to bear the externalities associated with an expanding informal labour market, including downward pressure on wages, the displacement of local workers and distortions in public sector spending. An informal economy can also lead to a situation where the level of welfare expenditure cannot be upheld without raising taxes, thereby resulting in further increases in the informal economy because such work becomes more attractive. Hosts also lack a meaningful and strategic sectorial distribution of where refugees might be integrated into formal labour markets.

In response, the principal concern of this study is to identify where, how and in what numbers host country labour markets might absorb Syrian refugees while simultaneously protecting and generating local employment.

- What is a strategic distribution of refugee labour taking into account (i) existing refugee skillsets/the sectors where refugees possess a comparative advantage and (ii) domestic economic ambitions for sectorial growth and diversification (iii) projected sectorial growth.
- A second question is whether inclusion should take place by integrating Syrians within pre-existing labour quotas (which may involve the replacement of migrant workers with refugees), formalising informal labour, or investment-driven job creation?

Subsidiary questions include:

- Given the modality of refugee labour inclusion selected, what aspects of the labour regulatory framework require amendment?
- The extent and form of investment required to create the requisite number of jobs? And what aspects of the economic status quo need to be improved to facilitate such investment?
- With which strategic sectors should host countries align their investment promotion in order to meet its developmental goals?
- Do the skillsets of refugees need to be augmented or upgraded to meet the demands and projected growth of the Jordan labour market?

A demand and supply side analysis was determined to be the most appropriate tool of analysis used, the steps of which are detailed below.

1.3.1 Supply-side Analysis

Identification of the basic sectors of distribution matching refugee skillsets based on (i) the strategic importance to the host country's development ambitions on both employment and investment fronts, (ii) the sectors that can legally accommodate the employment of foreign workers and (iii) complementarity with the skill sets and competencies of the refugee population. Sectors meeting two or more of these criteria are further examined vis-à-vis job distribution feasibility.

Sector-by-sector calculations are performed, culminating in sector distributions based on: (i) hypothesising the sectorial distribution of a base level of work opportunities vis-à-vis pre-existing labour quotas and sectors where a significant percentage of foreign labour participation is permitted (ii) calculation of the number of Syrian refugees with the relevant skill set for each sector based on the occupational breakdown of the registered refugee population (these numbers are then assessed vis-à-vis the labour quota per sector); (iii) sectors are categorised in terms of their absorption capacity to employ Syrian labour without revising existing labour quotas (iv) sectors requiring a revision of the labour quota (or removal of foreign labour bans) to absorb relevantly skilled Syrian labour are identified and a recommended labour quota produced (v) level of investment required is calculated using hypothetical investment scenarios, one assuming that the regulatory changes recommended were adopted, and the second assuming that they were not.

1.3.2 Demand-side Analysis

An occupational projection model is developed and applied to the occupations where Syrians could potentially participate. A comparison is then made between the number of jobs available and the labour quotas in place for each sector. From this, three alternate (but not mutually exclusive) policy actions are discussed:

- Formalisation, where an adequate number of jobs corresponds with an adequate number of relevantly skilled Syrians.
- Replacement, by incentivising the training and hiring of Syrian refugees over migrant workers.
- Investment, focusing on sectors of strategic and developmental importance to Jordan.

1.3.3 Required Data Sets and Tools

- Investment, trade and labour market-related literature (Arabic and English);
- Data from semi-structured interviews sampling government officials, policy makers, sector representatives, private business owners, foreign and Syrian investors, and employees in Syrian companies in development zones; a sample interview questionnaire is reproduced in Annex II;
- Occupational breakdown of Syrian refugees;
- Sizes of potential sectors of participation;
- Sector quotas and closed occupations;
- Numbers of nationals and foreign workers currently employed in targeted sectors;
- Projected growth per sector and number of jobs created;
- Levels of investment needed to generate employment (usually a forecasting model);
- Cost per job created in each respective sector.

1.3.4 Research Limitations

- Much of the required data is not collected by, or made available from, national governments. In such cases, proxies were substituted. In other cases, available data was dated;
- The occupational division of registered Syrian refugees, where available, relies on self-declaration by individuals and does not take into account possible deskilling. Job matching interventions based on skills analyses should thus proceed with caution;
- The findings rely exclusively on formal employment figures due to the difficulty of calculating rates and sectorial division of informal employment;
- The principal limitation of the research was the absence of information on refugee skillsets (Lebanon, KRI and Turkey) and the team's inability to enter the KRI to examine national data sets or conduct key informant interviews. Furthermore, none of the focus countries had a reliable job projection model. These limitations prevented the calculation and elaboration of a viable sectorial distribution of a viable number of Syrian employment opportunities.

If these limitations can be overcome, the frameworks created present a sound context by which to quantify and track the impacts of labour inclusion impacts from a sectorial perspective. Such results can then be compared to regression-based forecasting on the outcomes that might have accrued had alternate approaches been pursued. Although the findings will not be able to predict the outcomes that might accrue in future contexts, they will provide an objective starting point for a transition in thinking about refugee contributions to host state economies, the most efficient uses of donor aid and improved structuring of working rights' policies on a global scale. Indeed, in Jordan, a key impediment in government discussions was the lack of evidence on the outcomes for host states when working rights were elaborated. Ultimately, the outcomes will enable an envisioning of alternative refugee-hosting arrangements that optimise the benefits for host states, donors and displaced populations. Moreover, quantitative and qualitative modelling will enable host states to formalise and expand the labour market participation of both nationals and refugees to address labour market deficiencies and inefficiencies, while channelling humanitarian support to address development challenges in lieu of traditional aid receipts.

Part 2: The Kurdistan Region Of Iraq

2.1 Executive Summary

The available literature on the Kurdistan Region of Iraq (KRI) is limited, and access to government reports from the Ministry of Statistics is relatively restricted. However, the story of Kurdistan should not be overlooked, as it presents useful lessons for harnessing refugee labour inclusion towards the economic diversification of the host state.

When Saddam Hussein's rule came to an end in 2003, sanctions were lifted, and the KRI enjoyed solid, stable growth. Buoyed by oil revenues, they were in a unique position to develop a plan that could exploit factors of production beyond oil. The refugee crisis came at an opportune moment offering both skillsets and labour to burgeoning economy. The KRI rapidly boasted good security, reliable power, effective airport infrastructure, a growing transport structure, strong retail, a growing oil market, tourism, and plentiful investment opportunities.¹³ Part of this success was the government's inclusive approach to the labour market: after suffering years of persecution, Iraqi Kurds demonstrated solidarity with neighbouring populations with a common ethnicity, opening their markets to Syrian Kurds.

Syrian Refugees worked both formally and informally in a range of sectors, including agriculture, construction, and hospitality. Their labour inclusion coincided with the KRI's efforts to diversify their economy away from oil: the government invested oil revenues to restore historic Erbil; 40 licensed hotels and related service projects were undertaken to jumpstart the tourism sector; the government sought to understand those factors deterring private investment in the manufacturing industry. Agriculture also stood as a sector in need of reform and investment, as the KRI's food production underperformed relative to other regions with similar terrain and fertility. The refugee influx augmented capacity with 38 percent of refugee households having at least one member working in agriculture.¹⁴

Over the long term, however, the cushion provided by oil revenues prevented the KRI from moving ahead with economic diversification at a sufficient pace. When oil prices fell and rents became less profitable, the economy stagnated, and what had been a formal labour market inclusion success story became a more typical case of a host state with little to offer in terms of livelihoods. The lesson is that successful inclusion of refugees in the labour market requires a diversified economy, a safe and transparent investment environment, and targeted humanitarian support.

2.2 Research Methodology

The principal concern of this study is to identify the sectors where Syrian refugees could be viability intergrated in a way that would promote the KRI's economic interests. Unlike other host states, the challenge posed was not the legal framework and how this facilitated or hindered labour

¹³ A Sood and L Seferis "Syrians Contributing to Kurdish Economic Growth" *Forced Migration Review: The Syria Crisis, Displacement and Protection*, September 2014.

¹⁴ REACH, Multi-Sector Needs Assessment of Syrian Refugees Residing in Host Communities; Iraq (April 2015).

inclusion. Quite the contrary, the KRI had an expressed interest in the long-term economic inclusion of Syrian refugees. The key obstacle is the stagnation of the economy which has resulted in high levels of unemployment.

This said, the complementary conditions of high growth, an increase in labour supply (through the influx of refugees) and a liberal approach to inclusion at the beginning of the refugee crisis, provides a unique opportunity to test the quantitative and qualitative impacts of potential refugee labour market absorption. Critically, despite current levels of unemployment and poor opportunity, patterns of employment prior to 2015 provide a clear insight into where the market best saw to absorb refugees. Such information lays a framework to create a model that could forecast what might have been the impacts of unhindered refugee inclusion, had growth levels continued (or return). Such a model would be based upon a demand- and supply-side analysis. The supply analysis would consider what the market demands in terms of skillsets i.e. the amount, level and skills of employees that employers or sectors are currently in need of and can sustainably integrate. This would be complemented by a labour inclusion analysis examining refugee skillsets and their willingness to be integrated in particular sectors. The impediment to developing such a model is that the relevant skillsets and labour market experience of refugees have not been made available. An additional issue is that lack of access to the KRI has prevented the collection of qualitative interview data, making it difficult to correctly understand demand-supply matching in individual sectors.¹⁵ As a result, the following analysis relies on available literature and qualitative interviews livelihoods professionals, academics and policy specialists, conducted by telephone and through Skype.

2.3 Economic Overview

The autonomous Kurdistan Region of Iraq (KRI) stands out as an economic exception within the broader regional context. Despite decades of sanctions and conflict, the area managed to accomplish exceptional economic performance through a combination of carefully leveraged investment and strategic policy reforms.

After the end of Saddam Hussain's rule and lifting of sanctions¹⁶ in 2003, Kurdistan's growth flourished. Its competitive edge lay principally in its stability, which it effectively marketed alongside business-friendly policy and trade reforms, to attract significant foreign investment. The country's 2006 Investment Law provided a solid legal framework for the use and protection of foreign capital, providing a range of incentives to principals in terms of full ownership and profit repatriation and the streamlining of licensing processes.¹⁷ The Law has been credited as one of the most important factors in the KRI's rapid economic growth; since its passing, more than 600 licenses have been issued worth USD30.5 billion.

¹⁵ Ozcan, Numan. Interviewed by Mays Abdel Aziz. Personal interview. Amman, Jordan, October 20, 2016.

¹⁶ The KRI was long subjected to the sanctions imposed on greater Iraq by the international community after the 1990 Gulf War, in addition to sanctions imposed on it specifically by the Saddam Hussein regime.

¹⁷ *Kurdistan Region Investment Law* (2006) Kurdistan Regional Cabinet <<http://cabinet.gov.krd/p/p.aspx?l=12&s=020000&r=315&p=293>> at 10 December 2015.

The KRI also used its natural resource rents wisely. Contributing around 80 percent of GDP, oil and gas rents are the cornerstone of the KRI economy.¹⁸ Although it is required to export through Iraq proper, direct export deals with global companies like Exxon, Chevron and Gazprom, facilitated billions in capital reserve accumulation.¹⁹ Authorities directed such funds principally into infrastructure rehabilitation and the gentrification of historic Erbil.

Stability and strategic investment proved to be the twin ingredients needed to facilitate the emergence of a new growth sector: tourism. Since 2006, 40 licensed projects have commenced in support of this sector — principally hotels and related services.²⁰

The KRI's proceeding economic performance exceeded expectations. Its economy came to be known as 'Dubai of Iraq' with growth rates in excess of 10 percent between 2004-2012, stabilising at around 8 percent from 2012 onwards.²¹ Moreover, with a total GDP of around USD23.6 billion (as of 2013), Kurdistan's GDP per capita outshone that of greater Iraq in relative terms. Quickly gaining classification as an upper-middle income region, the KRI became a poster child for how to transition from natural resource rentierism towards a diversified and resilient economy.

This is not to say that all of the KRI's challenges were overcome. Highly dependent on external markets for goods (particularly food)²² and services, an estimated USD20.8 billion was spent on imports at 2013, while associated taxes only contributed 7 percent of government income.²³ The KRI's bloated public sector was a further deficit, accounting for around 50 percent of all jobs.²⁴ As a result, the government required roughly USD1 billion per month to break even, USD700 million of which was spent on public sector salaries.²⁵ Moreover, the sector's attractiveness meant that it disproportionately absorbed quality human capital, hindering private sector growth and development.²⁶

On the eve of the Syrian refugee crisis, the KRI thus had to fill a number of mutually reinforcing economic objectives to consolidate its growth process. The key priority was to fasten off its vulnerabilities. Like many hydro-carbon dependent states in the region, the KRI's fundamental

¹⁸ It is estimated that Kurdistan holds approximately a third of Iraq's total oil reserves, or about 45 billion barrels. *Worldfolio: Kurdistan's economic growth driven by more than oil* (2015) Embassy of Kurdistan in the United States <<http://www.krg.us/worldfolio-kurdistans-economic-growth-driven-by-more-than-oil/>> at 12 December 2015.

¹⁹ It is difficult to obtain specific data because of the opaque nature of Kurdistan's independent oil sales; the World Bank however estimated that in 2014 alone, Kurdistan concluded around USD1.5 billion worth of oil sales to foreign markets; 'The Kurdistan Region of Iraq Needs an Estimated US\$1.4 billion this Year to Stabilize the Economy' (World Bank Press Release, 12 February 2015). The Kurdistan Regional Government announced that it exported nearly 18 million barrels of oil in May 2015 alone, amounting to more than half a million barrels of oil a day. Today, Kurdistan is exporting every seventh barrel of Iraq's exports, reaching as many as ten countries. 'Record oil exports for Kurdish administration in Iraq', *Al Bawaba News*, 7 June 2015.

²⁰ *Tourism* (2014) Kurdistan Board of Investment <<http://www.kurdistaninvestment.org/tourism.html>> at 20 December 2015.

²¹ 'Determined to Grow' (2013) Invest in Group <<http://investingroup.org/review/236/determined-to-grow-economy-kurdistan/>> at 20 December 2015.

²² More the 90 percent of food consumed is imported according to the Ministry of Agriculture; R Abdulla, 'More than 90 percent of Kurdistan's food is imported', *Rudaw (Kurdistan)* 27 November 2015.

²³ S Zuwal, 'Bloated public sector in Iraqi Kurdistan needs to be reined in', *E Kurd Online* 23 February 2011.

²⁴ Socio-Economic Monitoring System Report (2013), Kurdistan Region of Iraq, Ministry of Planning (on file with author).

²⁵ I Coles, 'Kurds protest in north Iraq as discontent grows with government', *Reuters* 7 October 2015.

²⁶ HJ Shatz, L Constant, J Luoto, AC Smith, and S Abramzon, *An Assessment of the Present and Future Labor Market in the Kurdistan Region—Iraq*. See also Rand Corporation, *Capacity Building at the Kurdistan Region Statistics Office Through Data Collection* (2014).

weakness was its exposure to events beyond its control. While it had made efforts to reduce its reliance on petroleum, the areas of diversification to which its economy was inclined (tourism and investment) were also vulnerable to shocks, and almost cruelly, to the one type of shock it was most likely to fall prey to: conflict and instability.

One modality to better insulate itself was to direct investment into sophisticated manufacturing to advance its export capacity and value-added economic activity. As well as an alternate source of foreign currency, this would have offset the KRI's heavy import dependency, and at the same time satisfied its need for modern industrial commodities and manufactured goods. The KRI's labour, capital and energy endowments made it ideally situated for such sectorial development. The next steps were to further reform trade and industrial policy, address shortages in relevant technologies and develop or access managerial capital.²⁷

A complementary priority was a policy framework to support private sector growth and simultaneously incentivise its labour force to shift towards it. In support of this, Kurdish authorities commissioned research by the RAND Corporation to assess its labour market and recommend ways to boost private sector employment.²⁸ Again, the KRI boasted many of the necessary prerequisites. As at 2012, about 18 percent of the labour market had either a two or four-year university qualification. Moreover, increases in those seeking higher education suggested that 50 percent of those entering the labour force between 2012-2020 would possess two or four-year degrees.²⁹

A final potential growth sector was agriculture. One of the inconsistencies in the KRI economy is that despite having the tools for food self-sufficiency (a vast terrain, fertile soil and amenable climate),³⁰ most products were imported from Turkey and Iran.³¹ In 2013, agriculture contributed 10 percent of KRI's total GDP, with 9 percent of the population relying on farming as their principal livelihood.³² Historically, the key problems were weak government support for the sector and subsidies (driven by longstanding trade embargoes and internal instability), which made investment in agriculture economically non-strategic and contributed to sluggish productivity. Kurdish potato production, for example, was about 50 percent of that produced in comparable contexts, while fruit harvests sat at around 10 percent.³³ Strong arguments thus existed for

²⁷ The KRI's industrial and manufacturing sectors are small and underdeveloped, contributing around 9.4 percent of GDP. *Investment Factsheet Kurdistan Region: Iraq* (2013) Kurdistan Regional Government <http://www.iraq-jccme.jp/pdf/arc/04_krg_investment_factsheet_en.pdf> See also *Trade and Industry* (2014) Kurdistan Board of Investment <http://www.kurdistaninvestment.org/trade_industry.html> at 20 December 2016.

²⁸ HJ Shatz et al (above n 26).

²⁹ Education enrolment rates in the KRI stand at 95.5 percent, which is 4.5 percent higher than Iraq as a whole.

³⁰ A KRG's Ministry of Planning and UNDP joint report noted that the region boasts a combined 1.5 million hectares of irrigated lands, a diversified population of livestock, and strong environmental and natural conditions to develop a variety of agricultural products; Invest in Group (above n 21).

³¹ During Saddam Hussein's rule, prolonged violence displaced rural populations to cities, driving a decrease in farming. Moreover, the Oil-for-Food Program, through its supply of artificially priced foreign foodstuffs, coupled with the internal sanctions imposed by Baghdad — were harmful to the KRI's agricultural sector. Those employed in the sector decreased from 35 percent in 2003 to 9 percent in 2012; R Abdalla, above n 22; D Barwari, 'Kurdistan's Economy: Its potential and its challenges', *Kurdish Herald* (2009).

³² R Abdulla, above n 22; USAID, 'Kurdistan Region Economic Development Assessment' (2008) 93.

³³ J Neurink, 'Agriculture in Kurdistan: A Long Way to Grow', *Rudaw* 25 June 2013.

reforming this sector with a view towards advancing food security and contributing to livelihoods and poverty reduction.

It appears that the KRI authority's planning was consistent with such external recommendations. The administration's 2012-2016 regional development strategy aimed to lower public spending and increase investment expenditure to 50 percent of the government's budget by 2016. The KRI also aimed to further reform its financial sector and consolidate its reputation as investor-friendly; the launching of a Stock Exchange Market and adoption of international standards for private banks were also part of the strategy. Exports, industrial production and annual tourist expenditures were expected to grow, with raw materials extraction to account for 25 percent of industrial contribution to GDP by 2016.³⁴ Finally, agriculture appeared to be a priority investment sector.³⁵ The Ministry of Agriculture and Water Resources set long-term goals, not only for domestic food security, but to leverage the KRI as "a major producer and exporter of wheat, vegetables, fruit, meat, dairy, and poultry" to the region.³⁶

2.4 The Syrian Refugee Influx

The majority of Syrian refugees entered Iraq in August 2013 following the opening of the Peshakapor border. Since then the population has remained fairly stable with 230,836 registered with UNHCR as at 1 January 2017. Ninety-seven percent of this population is living in the KRI, with the majority in Erbil governorate, followed by Duhok and Sulaymaniyah.³⁷ The administration's official policy is that Syrians registered with UNHCR, or who have a residency card, have free access to employment.³⁸ Moreover there is no official employment ratios imposed vis-a-vis Kurdish Iraqis. The Ministry of Labour and Social Affairs instead observes workplaces and the level of Kurdish Iraqi national hiring on an ad hoc basis. If the ratio of foreigners to locals becomes too skewed in any business or organisation, the ministry may issue an informal warning concerning foreign hires.³⁹

This policy, coupled with economic conditions at the time, meant that Syrians rapidly found employment in a multitude of sectors. The majority (around 69 percent) entered low-skilled positions, in both the formal and informal sectors. Thirty-eight percent of refugee households had at least one-member engaged in agricultural wage labour.⁴⁰ The dominate modality was leasing arrangements whereby Syrians would pay a monthly or yearly rental fee to landowners in order to produce crops. Twenty-four percent of households had a member engaged in construction or other types of manual labour, usually through casual work arrangements. Another populous sector

³⁴ KRI Ministry of Planning, *Regional Development Strategy for Kurdistan Region* (2011).

³⁵ KRI Board of Investment, Department of Studies and Information, *Investment Factsheet Kurdistan Region – Iraq*. See also Japan Cooperation Center for the Middle East (2012), 'Restoring the Bread Basket: Agriculture'.

³⁶ Invest In Group, above n 21.

³⁷ UNHCR, *Inter-Agency Operational Update – Syrian Refugees in Iraq*, September 2015 <<http://www.uniraq.org/index.php?lang=en>> at 8 November 2015.

³⁸ One complication is that each governorate has a separate framework for managing refugee arrivals. Dohuk, for example, has taken a more liberal approach, issuing residency permits to refugees in camps and urban settings. By contrast, Erbil and Sulaymaniyah limited residency permits to refugees in camps in order to remove the incentive for refugees to live in urban locations; L Yoshikawa, *Syrians in Iraq: Refugee response within a major humanitarian and political crisis*, ENN <<http://www.enonline.net/fex/48/syrians>> at 9 November 2015.

³⁹ Interview with M Vaxelaire (22 December 2016).

⁴⁰ REACH, above n 14.

was hospitality and services, particularly hotel or restaurant work. Skilled Syrians also found work, typically with INGOs, private sector companies and universities. Finally, some Syrians set up businesses, however these were low in number and not highly visible. Unlike other host states, in-camp refugees were also accessing the labour market; 43 percent of households had at least one family member engaged in cash-based work.⁴¹

Those with weaker labour market options included youth (work experience is regarded as a strong asset for finding work in the KRI), women (who face cultural impediments accepting work in the public sphere) and those with highly specialised qualifications (the KRI authorities do not recognise certain qualifications such as medical practitioner licenses).⁴²

This exceptional level of and approach to livelihoods inclusion needs to be understood against what was happening in the economy at the time. June 2013 marked KRI's boon point. At this time, 15,000 local and 2,300 foreign companies from 78 countries had registered in the KRI, 40 corporate entities had committed USD10 billion in capital for the energy sector; and hotel occupancy rates stood at 75 percent.⁴³ Around 3 million tourists visited KRI in 2013 alone,⁴⁴ with tourism contributing 19.3 percent of overall economy activity.⁴⁵ The level of foreign business interest (mainly from Turkey and the UAE) grew to the point where by the end of 2013, around 55 percent of the external investment in Iraq was taking place in the KRI. According to the KRI's Ministry of Trade and Industry, during the first quarter of 2013, more projects were underway in Kurdistan than were completed in all of 2012. Critically, such investment was being directed into employment-dense sectors such as construction, reducing unemployment levels to between 12-15 percent.⁴⁶

INGOs capitalised on these dynamics. In 2013 the Danish Refugee Council placed refugees in two-month funded apprenticeships aimed at closing labour market gaps (200 apprenticeships were offered in 2013 and 500 in 2014). Such on-the-job training and exposure to the labour market proved successful, especially compared to similar projects in Lebanon and Jordan. Of the refugee participants, 79 percent were hired as regular employees, and the remainder left because they relocated or found alternate employment.⁴⁷ Women participants also fared well; many found stable

⁴¹ Although it should be noted that competition between refugees in camps and refugees outside of camps further contributes to this cycle of wage decrease. While their skills sets may be similar, refugees in camps receive assistance and do not have to pay for rent or food.

⁴² E Saint and H Aziz, "Construction and Service-sector Labour Market Systems: A Study of the Opportunities in Employment for Iraqi IDPs and Syrian Refugees." *Danish Refugee Council*, January 2015. Accessed November 13, 2016.

⁴³ Invest in Group, above n 21.

⁴⁴ Kulaksiz, Sibel. 2015. Kurdistan Regional Government : Economic and Social Impact Assessment of the Syrian Conflict and ISIS Insurgency. MENA knowledge and learning; issue no. 143. World Bank, Washington, DC.

⁴⁵ A Sood and L Seferis, above n 13.

⁴⁶ RAND, above n 26. As at 2013, only 38 percent of adults aged 15 and older participated in the KRI's labour force, with female participation being strikingly low at 6 percent participation. At the same time, the female youth unemployment rate is very high, at 48.9 percent, compared to 12.8 percent for young men. As at 2014, 51.4 percent of employment in the KRI was characterised as being in the formal sector

⁴⁷ A Sood and L Seferis, above n 13. Other efforts included a job centre that gauged refugee skill sets and preferences and matched them to employers participating in the program. They also facilitated language training, small business grants, vocational training (carpentry, welding, barbers, salon) and training to search for jobs and develop CVs.

employment (principally in retail and restaurants), and despite cultural disincentives, cited the steady income and the relative prestige of their positions.⁴⁸

In short, for Syrian refugees, the KRI represented the ideal host context. In addition to a receptive community and employment opportunities, the area boasted affordable housing, good security, and a reliable power and transport structure.⁴⁹ The problem facing other host states at the time — jobseekers being unable to find work that matched their skills — simply did not exist. In fact, sectorial diversification created labour market gaps — both technical/managerial and in terms of low-skilled labour — that the Iraqi market could not fill. High levels of labour inclusion also cannot be disconnected from the refugee population being almost exclusively of Kurdish descent. The absence of a language barrier, ethnic solidarity, and the existence of cross-border family ties that pre-dated the crisis certainly mitigated some of the difficulties usually associated with displacement.⁵⁰ These factors perhaps also made it easier for refugees to geographically disperse and thus access more opportunities.

2.5 Economic Turndown

2.5.1 Oil Prices

The KRI's fast-tracked growth, however, was short lived. Under the Constitution, the Kurdish Regional Government is required to share its oil production, in return for which the Iraqi central government allocates 17 percent of its total budget to the KRI.⁵¹ In January 2014, this transfer was blocked due to a dispute over Kurdistan's right to export oil independently. The Kurdistan authorities responded by exporting oil through a pipeline linked to Ceyhan in Turkey. This strategy managed the region's revenues for the first half of 2014, however, finances became severely strained in the second half as oil prices began to fall (oil price fell from USD100/barrel in January 2014 to USD49/barrel in January 2015). In early 2015, a deal was struck, however this lasted only a short time. Of an entitlement of between USD10-12 billion a year, the amount transferred

⁴⁸ A Sood and L Seferis, above n 13.

⁴⁹ Id.

⁵⁰ Id. Impacts on social cohesion have been limited and mainly concern disparities in assistance provided to Syrian refugees and Iraqi IDPs. See generally, L Redvers, *Refugee or IDP – does it really matter?* (2014) IRIN News < <http://www.irinnews.org/report/100835/analysis-refugee-or-idp-does-it-really-matter>> at 11 November 2015. REACH, *Multi-Cluster Needs Assessment of Internally Displaced Persons Outside of Camps; Kurdistan Region of Iraq Assessment Report* (2015). E Ferris and M Teff, *The overlooked humanitarian crisis in Iraq: The need to address disparities* (2015) Brookings < <http://www.brookings.edu/blogs/markaz/posts/2015/04/28-iraq-displaced-refugee-humanitarian-islamic-state-violence>> at 11 November 2015. It should be highlighted that the IDP presence has had myriad knock-on effects, making the impacts of Syrian refugees on host communities somewhat harder to glean. In Dohuk Governorate, average rent prices in April 2014 had increased by approximately 20 percent since the previous year; in Erbil Governorate the increase was approximately 15 percent. The World Bank measured an increase in food prices of 4.6 percent between 2013 and 2014 in Erbil Governorate and slightly lower increases for Dohuk and Sulaymaniyah governorates over the same period. World Bank, above n 44. In 2014, the price of fuel in the KRI increased to 900 Iraqi Dinars per litre for gasoline and 950 Iraqi Dinars per litre for diesel, almost double what it had been the previous year. While this may have been due in part to increased demand from both Syrian refugees and internally displaced Iraqis, it was also caused by the cutting off of supply lines as a result of continuing conflict in Iraq and the resulting contraction of fiscal reserves.

⁵¹ E Butler, 'Iraqi Kurdistan's battle with Baghdad over oil revenues', *BBC News* (Erbil) 10 April 2015.

between February 2014 and February 2015 was USD1.1 billion.⁵² This transfer corresponds to around 80 percent of the KRI's budget, compounded by the fact that more than 1 million people out of a population of more than 7 million, depend on government salaries as their principal form of livelihood.⁵³ These shortfalls also impacted investment and infrastructure spending, with housing being the sector most severely affected.⁵⁴

2.5.2 Da'esh Control

In June 2014, Da'esh invaded and took control of Mosul and Tikrit. The escalation of the conflict inside Iraq increased military expenditures and led to a large flow of Iraqi internally displaced persons.⁵⁵ The associated decline in stability negatively impacted both tourism and investor confidence. While 2014 was dubbed tourism's take-off year (the region was named the 2014 Arab Capital of Tourism),⁵⁶ inflows, which had increased by 33 percent in 2013 to nearly 3 million, declined to fewer than 800,000 in the first six months of 2014.⁵⁷

54.3 Combined Economic Impact

The combined impact of economic, political and security uncertainty were immense. Investment projects were placed on hold, foreign companies evacuated expatriate staff and share prices plummeted.⁵⁸ The construction sector was particularly affected, with small companies reporting bankruptcy and contractors going unpaid. Erbil Steel, for example, which produced 18,000 tonnes of steel bars every month, evacuated its 600 foreign workers in June and shortly afterwards closed its facility. One investor put on hold its plans to bring Starbucks to Erbil.

These factors placed downward pressure on growth. In 2004, the economy contracted six percent, with poverty rates more than doubling from 3.5 to 8.1 percent.⁵⁹ Particularly striking was the decline in the share of foreign investment. In 2013, investment doubled to reach USD12.4 billion — 40 percent of which was foreign or joint ventures — whereas in 2014 national investment halved and foreign investment fell by up to 90 percent.⁶⁰

These impacts were quickly felt. A joint study conducted by the World Bank, the Kurdish Ministry of Planning and the Office of Statistics released in August 2015, found that poverty levels had risen from 3.5 percent at the start of 2013 to 12 percent in 2015. Unemployment rates also rose

⁵² M DeWeaver "Kurdistan Region of Iraq Report" Iraqi Kurdistan Economic Report 2016: Kurdistan's Great Recession. January 8, 2016. Accessed November 03, 2016. <http://www.marcopolis.net/iraqi-kurdistan-economic-report-2016-kurdistan-s-great-recession.htm>. World Bank, above n 44, 5; *Iraq Economy Profile 2014* (2014) Index Mundi <http://www.indexmundi.com/iraq/economy_profile.html> at 11 December 2015.

⁵³ M Bozarlsan, 'Iraqi Kurdistan's brewing crisis,' *Al-Monitor* (Istanbul) 20 October 2015.

⁵⁴ Tearfund "Assessment of the Livelihood Opportunities in the Kurdistan Region of Iraq" (2015) accessed November 13, 2016.

⁵⁵ DeWeaver above n 52.

⁵⁶ 'Ten Reasons Erbil is the place to be' *AlBawaba News* 30 January 2014.

⁵⁷ World Bank, above n 44, 22.

⁵⁸ N Al-Hassoun, 'IS advance threatens foreign investment in Kurdistan', *Al-Monitor* (Erbil) 27 August 2014.

⁵⁹ The World Bank, 'The Kurdistan Region of Iraq Needs an Estimated US\$1.4 Billion This Year to Stabilize the Economy' (Press Release, 12 February 2015) <<http://www.worldbank.org/en/news/press->

⁶⁰ The World Bank pitched this slightly lower: "the combination of the ISIS crisis and the budget freeze has had a chilling effect on all investment, which has declined by two-thirds so far in 2014"; World Bank, above n 44, 41.

steadily, from 6.3 percent in 2013 to 12 percent in 2015, with youth unemployment (15–24 year olds) reaching 17.6 percent.⁶¹

The overall contraction in the economy meant that many refugees, particularly those employed in the services and construction sectors, found themselves out of work. The IDP situation also impacted both opportunity (by creating competition for livelihoods opportunities, especially in unskilled and semi-skilled occupations)⁶² and wage prices (many IDPs still receive public sector salaries meaning that they were willing to work for less remuneration). Highly skilled refugees were also impacted by competition from IDPs and even Iraqi Kurds who moved into the private sector as a result of government wages not being paid. Indeed, the households that reported difficulty in accessing employment opportunities corresponded with those districts hosting large numbers of IDPs.⁶³ Working conditions also deteriorated; informally employed refugees (and some formally employed) began to cite complaints of wage discrimination. Some reported receiving one-third of the wages received by Kurdish Iraqis and IDPs despite being expected to work longer hours, and without benefits such as health insurance or social security. In a study of refugees in Arbat camp, those employed complained of delays in payments, not receiving contracts (unlike other foreign workers), and not receiving compensation for medical bills relating to workplace injuries.⁶⁴

2.6 Future Potential for Labour Market Inclusion

The current context holds little potential for refugee labour market inclusion as demand prevents refugees from capitalising on their assets. The DRC's experience of subsidised employment leading to almost full workplace inclusion has reversed. Finding companies that are willing to hire refugees, even with subsidies, is difficult. There may also be a self-fulfilling element in play. Against limited prospects and without any formal path to citizenship, refugees appear to be considering alternate options. Available data suggests that many refugees intend to return, or make their way to Europe. Some interviewees also suggested that more recent arrivals relocated for economic rather than security reasons, although precise numbers are unclear.⁶⁵ This group of economically-motivated Syrians is unlikely to remain if present conditions persist. Employers are aware of these sentiments, and this makes them reluctant to hire and invest in them in terms of training and workplace inclusion. The government likewise seems to have little vested interest in targeting refugees for employment and has no plans for long-term integration.⁶⁶

Against these challenges, the best prospect for refugee labour market inclusion is if the situation stabilises and growth rates return. Refugees are positively perceived by employers as hardworking, flexible, and rich in skillsets that cannot be found in the Iraqi population. Relative to IDPs from south central Iraq, Syrian Kurds might even have better and more employment options due to

⁶¹ N Ali, 'Refugees, war push poverty in Kurdistan to unprecedented levels' *Rudaw* (Dohuk) <<http://rudaw.net/english/kurdistan/250920152>> at 25 September 2015.

⁶² Tearfund, above n 54; World Bank, *The Kurdistan Region of Iraq; Assessing the Economic and Social Impact of the Syrian Conflict and ISIS* (2015).

⁶³ REACH, above n 14. Severe increases in competition for employment were registered in Amedi, Dahuk, Sumel, Zakho and Shekhan, Akre and Bardarash, where, collectively, 60 percent of all IDP households reside.

⁶⁴ M Aram, "Labor Market Situation for Syrian Refugees in Iraq" Case Study Arbat Refugee Camp - Kurdistan Region. Master's thesis, Oregon State University, 2016, on file with author.

⁶⁵ Interview with M Aram (30 November 2016).

⁶⁶ See further <http://rudaw.net/english/middleeast/turkey/30032016> and <http://cabinet.gov.krd/p/page.aspx?l=12&s=000000&r=401&p=484&h=1&t=407>

their quality standards, willingness to accept below-average wages and working conditions, and shared cultural and ethnic heritage with Kurdish Iraqis. The latter is particularly important as employment in the KRI is highly reliant upon social networking. Refugees may even find themselves preferred over IDPs due to potential identity tensions and cultural clashes.

In short, the KRI was, and could quickly again be, on the brink of an extraordinary growth pattern. This, coupled with amenable refugee skill sets, provides all of the enabling conditions for a unique experiment in how refugees can positively contribute to host state economic aims. This future is largely contingent on what takes place with respect to the Syria conflict in the coming months, and specifically what happens in the area currently under Kurdish militia control in the event of an Assad-victory. If this area was granted limited autonomy, similar to that of the KRI, Syrian Kurds might willingly return. Moreover, a permanent ceasefire in Syria might create a scenario by which investment could return to the KRI. Relying on past projections, this would create jobs in the sectors of construction, transport, storage and communications; wholesale and retail trade; education and tourism. Alternatively, ISIS might try to consolidate their presence inside Iraq, bringing the opposite effect.

The above analysis begs the question of what, if anything, might KRI authorities have done to avoid or ameliorate the present situation. Kurdistan is equipped with a plethora of factors of production, including energy, capital and labour that give it a competitive advantage over neighbouring economies. It made sense that the region's authorities invested in sectors where it boasted a value-added or potential niche market, such as tourism, and it could not have turned completely away from oil. The result, however, was that the KRI put 'all its eggs in one basket' and neglected sectors that maximised its factors of production. Such a strategy was high-risk in an environment susceptible to perceived and actual threat of instability. Indeed, at the first sign of domestic unrest, the region's economy could not cope.⁶⁷

In retrospect, decision-makers might have cushioned exposure by also directing investment into sectors less sensitive to shocks. This could have included social housing (refugees and local Kurds struggle to find affordable accommodation) and key infrastructure, such as water and electricity, which need to be improved to enable the growth of manufacturing projects. Agriculture may have also been a strategic growth sector, given adequate investment and policy changes to facilitate foreign labour participation. Although there is no available data on refugee skillsets, based on the location of origin, it is likely that many, perhaps a majority, of male working-aged refugees were agriculturalists.⁶⁸ Indeed, one of the key bottlenecks preventing small-scale farming in rural areas from becoming viable was that products could not financially compete with imported foodstuffs, mainly from Iran, Turkey and Syria. Kurdish farmers did not have the requisite knowledge in irrigation, pesticide use, harvesting and other areas.⁶⁹ The refugee population may have been a tool to close this knowledge gap by transferring know-how and skill sets. Moreover, interviews conducted suggest that Iraqi Kurds are moving away from the sector. Farming previously received significant support, with the government buying produce at up to double market prices. Recent

⁶⁷ B Ali 'Kurdistan's economy and its shortfalls' (3 December 2015).

⁶⁸ No statistics have been made available on refugee skillsets, however 60 percent hail from rural areas in Syria which is dominated by agricultural work.

⁶⁹ RTI International, *Kurdistan Region; Economic Development Assessment* (2008; Neurink, above n 20).

budget constraints have closed off such support, opening space for Syrian farmers who might be more willing to sell crops at market value.⁷⁰ The Iraqi government owns vast tracts of land close to water sources (generally contracted to local farmers), which might feasibly have been leased to refugees.

Still, the incentives to invest in agriculture were low in absolute and relative terms. Long-time policy failures and base level investment led to the sector's stagnation and regression. A key concern is that once fertile tracts of land are now arid. Some estimate that today only 4.89 percent of land is arable, with less than 2.68 percent of it planted in winter and 0.19 percent planted in the summer. The volume of investment required to compensate for this was not monetarily attractive for the government or the private sector vis-à-vis other options.

But there might have been an alternate willing partner that was less concerned with financial return. Insofar as it was connected to refugee livelihoods, donors may have been prepared to invest funds into the knowledge capital and technology needed to revamp the industry. Further support may have come from development agencies concerned with food security and sustainable development; new techniques for reversing land degradation are available, although offer little by way of economic returns.⁷¹ Likewise, the international community may have been willing to support social housing and infrastructure construction — again a sector with less capital return and hence unlikely to have attracted foreign investment, but one with high low-skill employment potential.

The KRI's failure to effectively lobby the international community for such support suggests that at the beginning of the refugee crisis, the economic boom had provided them with an at-first-plentiful but later-precarious cushion of support. By the time such assistance became necessary, authorities were overly preoccupied with security and the acute impacts of a flailing economy, launching the Iraqi chapter of the Syria Regional Refugee Resilience (3RP) as late as January 2016.⁷² The KRI might have even followed the example of Jordan and lobbied for the development of economic zones offering preferential terms of production and trade to kick-start the growth of value-added manufacturing. Indeed, the main prerequisite for a strong manufacturing sector is an appropriate infrastructure (connectivity, transport systems etc.); without this, companies have little incentive to relocate. At the same time, such investment is risky as financial return depends on subsequent economic activity. To the extent that international donors are more concerned with social and protection returns as opposed to financial ones, they may have been willing to facilitate such employment-heavy projects. Finally, donors may have supported entrepreneurial micro-investment. A livelihood's assessment showed that private sector growth was hindered by difficult access to credit for local entrepreneurial ventures. Refugees, because they have lost, cannot access or have used their financial and capital assets, face similar difficulties. Small loans to start micro-

⁷⁰ interview with M Vaxelaire.

⁷¹ See for example <http://www.africanfarming.net/crops/agriculture/conservation-agriculture-can-reverse-land-degradation> <http://www.isric.org/global-issues>

⁷² R Padilha, 'New Appeal Seeks Continued Support for Syrian Refugees and Countries Hosting Them' <http://www.3rpsyriacrisis.org/news-events/>

businesses may have been a way to stimulate employment for both Iraqis and refugees, transfer skillsets and support innovation.

As the Syrian refugee crisis enters a sixth year, the possibility of such donor-funded job creation projects has almost certainly evaporated. Such actors will be looking carefully at the likelihood of a resolution to the conflict as well as what a stable Syria might mean for groups such as ISIS who may try to consolidate their presence in Iraq. This said, the KRI may receive a second chance to remedy past errors. As 2013 demonstrated, under the right conditions (factors of production, an investor-friendly regulatory framework and niche market opportunities) foreign direct investment will flow without any external help. There are strong geopolitical interests supportive of a prosperous northern-Iraq, as well as a stable Syria. Both of these goals are compatible with refugee labour market inclusion in the KRI - refugees can positively contribute to sectorial growth and may also be in need of a continuing safe refuge. The international community may thus be interested in the types of support mentioned above. If this opportunity presents itself, the KRI would be foolhardy not to capitalise upon it as a means of building sectors that can boost the resilience of its economy but that are less attractive to foreign investment.

2.7 Future Research

If the economy stabilises and growth patterns recover, the KRI represents an ideal context in which to study the impact of refugee labour inclusion on sectorial performance, social cohesion and refugee welfare. In the absence of such trends, an in-depth study of specific labour market interventions (such as that implemented by DRC) would yield explanatory data of high value. Like the case of Turkey, since labour inclusion occurred at an early stage in the crisis, data collected in Turkey may also provide a baseline against which to compare efforts in other host states to integrate refugees. Data limitations encountered have prevented both types of analysis. The demand-side analysis is incomplete because the data required to develop a sectorial growth forecasting model could not be collected; demand assessment is thus based on policy positions in various sectors, historic trends and an analytical assessment on where growth in the KRI economy is most strategic. The supply-side analysis is incomplete because data on refugee skill sets and prior occupation status, was not provided. If such data could be secured, this would enable a sectorial assessment of where and to what extent refugees could be absorbed, how skill sets might be augmented or upgraded, and what types of job-creation investment would be most strategic.

Part 3: Turkey

3.1 Executive Summary

Since 2015, Turkey, once the success story of Europe, has been rocked by political instability, security concerns and societal divisions. The war in Syria has had a profound effect on the country, with over 3 million Syrian refugees fleeing into Turkey from war ravished Syria. The demographics have changed and this has put a huge strain on the country's resources. Its economic expansion has slowed and its credit rating plummeted. Turkish citizens are quick to blame the influx of refugees for these changes.

This paper gives an overview of the labour market in Turkey, including the performance of key sectors, including agriculture, and the inclusion of foreigners and refugees, with a specific focus on Syrian refugees and their engagement in these sectors. The paper ends with a series of findings and policy recommendations.

Concrete efforts have been made by the Turkish authorities to find solutions to employment for Syrian refugees but those looking for work continue to face myriad challenges. Matching skill sets, language barriers, work permit laws, lack of training and lack of access to higher education without papers are all barriers to successful job opportunities. Based on secondary sources, the paper argues that a shift in Turkey's policies towards the Syrian refugees could result in longer term sustainability of Syrian refugee labour market inclusion.

3.2 Research Methodology

The principal concern of this study is to identify whether it is within Turkey's economic interests to include Syrian refugees into their labour market, and if so, to identify the sectors in which this could be done. This study was crafted around the following central questions:

- Does Turkey have a vested interest in the long-term economic inclusion of Syrian refugees?
- What strategic sectors should the Turkish government invest in with a view towards long-term development as well as the upholding of OECD economic standards? Could refugees be integrated in these sectors?
- What is the legal labour framework in Turkey and in what ways does it facilitate or hinder job creation for Syrians and nationals? What reforms are required?
- How can Syrian investments in Turkey be better managed to benefit both Syrians and Turkish nationals?

The main hypotheses are that:

- Labour inclusion of Syrian refugees would be beneficial for Turkey's economy, particularly to compensate for possible pre-existing labour market skill mismatches.
- Investment in labour market inclusion decreases the cost of hosting refugees as self-sufficiency would mean less sunk costs on temporary assistance.
- Pre-existing informality in Turkish labour markets has contributed to the high level of Syrians in the informal market. Formalisation of employment status would be beneficial

to nationals as it would increase regulation and allow Turkey to fully benefit from Syrian presence.

For more detailed findings, the question of labour market inclusion needs to be approached using a demand- and supply-side analysis. The supply analysis would consider what the market demands in terms of skillsets i.e. the amount, level and skills of employees that employers or sectors are currently in need of and can sustainably integrate. This would be complemented by a labour inclusion analysis examining refugee skillsets and their willingness to be integrated in particular sectors.

The key challenge was that the relevant skillsets and labour market experience of refugees was not made available, preventing an assessment of their inclusion viability in any one sector.⁷³ A further limitation was the absence of direct data access, manifesting in a reliance on a wide variety of secondary sources to support principal findings. In lieu, a review of the literature on labour markets and informality in relation to Turkish markets, complemented by 25 in-country interviews with academics, key shareholders, refugees, small business owners, NGOs and investors, was conducted.

3.3 Economic Overview

Turkey is an upper-middle income country with a population of 78.72 million and a GDP per capita of USD9,387 as at December 2015⁷⁴. It is one of two countries in the West Asia-North Africa (WANA) region that are members of the Organisation for Economic Co-operation and Development (OECD). Similar to its Levantine neighbours, Turkey heavily relies on imported gas, which covers 98 percent of its energy needs. Its impressive rates of economic expansion since 2000 facilitated the construction of the joint Turkish-Azeri Trans Anatolian Natural Gas Pipeline in May 2006, significantly addressing Turkey's energy dependence.⁷⁵ The nature and extent of its economy's expansion distinguish it from other nation-states in the region, and have provided Turkey with some insulation from the international market volatility and thus economic strain.

More recently, however, the political climate in Turkey has degenerated in ways that are both directly and indirectly related to the ongoing conflicts in the region. These include the assassination of the Russian ambassador to Turkey, for reasons that were cited as a form of protest against Russian involvement in Syria, the attack claimed by Da'esh on an Istanbul night club on 31 December 2016, as well as an attempted coup d'état in July of 2016. Importantly, the coup failed largely because of a lack of public support;⁷⁶ President Recep Tayyip Erdogan urged his supporters to take to the streets, and they obliged, containing the event within hours. In the summer of 2015, Ankara, Turkey's capital city, suffered bombings outside the Ankara Central railway station that resulted in the deaths of 103 civilians. This act was carried out by two people with suspected links to Da'esh.

⁷³ Ozcan, Numan. Interviewed by Mays Abdel Aziz. Personal interview. Amman, Jordan, October 20, 2016.

⁷⁴ Trading Economics. "Turkey | Economic Indicators." accessed October 26, 2016. <http://www.tradingeconomics.com/turkey/indicators>

⁷⁵ Index Mundi. "Turkey Economy Profile 2016." accessed October 26, 2016. http://www.indexmundi.com/turkey/economy_profile.html

⁷⁶ The Economist, "Turkey." accessed October 26, 2016. <http://country.eiu.com/turkey#>

These events combined with slowing development trends have created alarm regarding the sustainability of Turkish economic expansion. While growth since 2000 has been impressive, it has recently been increasing at decreasing and underwhelming rates. The tourism sector, in particular, has suffered due to its linkages to political and social stability. Having grown rapidly over the past 20 years, it ranked as the sixth most popular tourist destination in the world in 2015.⁷⁷

Turkey's credit rating has suffered two downgrades since the coup. The first downgrade came from Standard and Poor, who reduced their score from BB+ to BB on 20 July 2016, and the second from Moody's, who set their score at Ba1 from a previous rating of Baa3 on 23 September 2016.⁷⁸ This caused a depreciation in the value of the Turkish lira and a drop in stock prices. Given that external funding equates to 25 percent of Turkey's GDP, these lowered credit ratings are deeply affecting Turkey's financial vulnerability.⁷⁹

Among the most substantial change to Turkey's economy is the rapid shift in demographic between 2015 and 2016. As discussed below, the influx of around three million refugees has strained resources, created of new political pressures, but also brought with it new potential for sectorial growth and expansion in areas with high refugee concentrations.⁸⁰

3.4 Turkey's Labour Market

The labour force in Turkey is estimated at 29.7 million people, making it the third largest labour market in Europe, and the fastest growing labour market relative to European Union (EU) countries. This workforce is young and educated, with and a workplace entry rate of 800,000 university graduates annually. This has been somewhat orchestrated; a large number of universities in Turkey have recently allowed an increase in the number of students enrolled in tertiary education, a figure that now stands at more than 5.4 million students.⁸¹ Despite this highly skilled labour force and the potential it creates, Turkey's labour segmentation remains heavily concentrated in agriculture. The economy is mostly free-market industry and services, with 25 percent of labour participants engaged in the agricultural sector (despite its decline in GDP contribution, currently sitting at 7.1 percent).⁸² Turkey is the seventh largest agricultural producer in the world, and one of a handful of nations that does not have to rely on exports to meet food demands.

Labour policy in Turkey mostly follows standard labour laws — a basic work week of 45 hours, mandatory pay for overtime hours (with the option of being granted leave in lieu of remuneration),

⁷⁷ World Bank. "Turkey." accessed October 26, 2016. <http://www.worldbank.org/en/country/turkey/overview#3>

⁷⁸ Trading Economics. "Turkey | Credit Rating" accessed October 27, 2016. <http://www.tradingeconomics.com/turkey/rating>

⁷⁹ Setser, Brad. "How Many Reserves Does Turkey Need? Some Thoughts on the IMF's Reserve Metric." Council on Foreign Relations. July 19, 2016. Accessed October 27, 2016. <http://blogs.cfr.org/setser/2016/07/19/how-many-reserves-does-turkey-need-some-thoughts-on-the-imfs-reserve-metric/>.

⁸⁰ World Bank. "Turkey."

⁸¹ Invest in Turkey. "Demographics and Labour." accessed October 27, 2016. <http://www.invest.gov.tr/en-US/investmentguide/investorguide/Pages/DemographyAndLaborForces.aspx>

⁸² Invest in Turkey. "Agriculture and Food." accessed October 26, 2016. <http://www.invest.gov.tr/en-US/sectors/Pages/Agriculture.aspx>

and several paid public holidays.⁸³ The minimum wage is set at TL1642 (USD532) per month. The employment of foreigners is regulated through a work permit system. Until recently, permits were difficult to obtain and required a complex legal approval process.

Turkey's economy performs exceedingly well in comparison with other emerging or developing economies, however quite poorly when compared to other OECD countries. While it recovered from the 2008 financial crisis faster than other OECD countries, its core economic indicators are wavering. Employment levels sit at 47.8 percent, which is high for an emerging economy, but far below the OECD average of 60.2 percent. The same applies unemployment. Turkey's unemployment rate is 9.6 percent which is more than 3 points higher than the overall OECD unemployment rate of 6.3 percent. The principal group of concern is vulnerable youth; those who are neither educated nor employed or in training (NEETs), and thus are at risk of being left behind in the job market entirely. Close to 30 percent of people aged 15-29 are NEET,⁸⁴ making them an influential variable in upcoming labour policies put forth by the Turkish government.

3.4.1 Turkey's Informal Economy

Duality in the labour market can be traced to the idea of dualism in the broader economy, i.e. the coexistence of a 'modern' economy alongside a 'traditional' one. The theory behind this dualism is that, in developing economies, or ones that are transitioning from traditional to industrial, have excess labour transitioning away from the traditional sector. This initially results in industrial wages being driven down due to increased supply (traditional sector employees that will accept lower wages). Once the traditional sector is eliminated, an equalisation of wage levels takes place.⁸⁵ In Turkey, however, this theory did not match practice; although the transition between traditional and modern sectors has increased, wage equalisation has not occurred. This is because, within the urban sector, a new form of dualism emerged between the highly productive, higher wage formal economy, and the less productive, lower wage informal economy.

Some scholars view the cause of high levels of informality in the labour market to be a by-product of the increased price competition that comes with globalisation and free trade. These external forces driving down prices simultaneously amplify pressures to keep wages low, forcing them below mandated minimum wage levels. On the supply side of the labour market, increased rates of urbanisation and private firm expansion juxtaposed with the decreased size of the public sector has created a willingness to work under improper conditions. When running regressions on Turkish Household Labour Force Data between 1988 and 2007, results indicate that non-agricultural informal labour is a consistent component of the modern sector. Although overall informal labour rates have decreased, it is noteworthy that this is not due to changes in the labour market's overall structure, but rather a reduction in agricultural labour. While the size of the agricultural sector has decreased, non-agricultural informal labour has increased, especially among

⁸³ Invest in Turkey. "Terms of Employment." accessed October 27, 2016. <http://turkishlaborlaw.com/news/business-in-turkey/430-work-permit-and-exemptions-for-foreign-partners-of-companies>

⁸⁴ OECD. Employment Outlook 2016, *OECD Publishing*, Paris. DOI: http://dx.doi.org/10.1787/empl_outlook-2016-en

⁸⁵ Lewis, W. Arthur. "Economic Development with Unlimited Supplies of Labour." *The Manchester School* 22, no. 2 (May 1954): 139-91. doi:10.1111/j.1467-9957.1954.tb00021.x.

women. The wage gap between formal and informal labour has increased, although increased returns to the informal sector have contributed towards reducing the gap.⁸⁶

Indeed, a defining feature in emerging, developing economies, particularly in the WANA region, is the existence of a sizable informal economy. In the case of Turkey, however, the relationship between informal employment, age and education, is particularly relevant. Acar and Aysit (2014) have run a segmentation analysis of the informal economy in Turkey to determine the likelihood of informality in particular groups within the market. There are two definitions of informality in the labour market, the first of which is rooted in enterprise, and the second in social security. The definition rooted in enterprise defines informal labour as employment within the informal sector, particularly employees that work in small enterprises or businesses or are self-employed. The definition rooted in the social security, or lack thereof, involves informal market employment regardless of its form. Informal labour makes up 57 percent of the labour force under the enterprise definition, and 46 percent under the social protection definition. Females in Turkey make up a larger portion of the informal labour force under both definitions. Moreover, confirming theoretical conjecture on informal economy analysis, age and informal labour exist in a U-shaped relationship, whereby younger people are more likely to sit in the informal economy, while those middle-aged are less likely, and then the old-aged are again more likely. Again, consistent with the mainstream literature, the relationship between level of education and informal labour is negative.⁸⁷

3.4.2 The Impact of Minimum Wages

The impact of minimum wages on an economy are disputed. There is a consensus that minimum wage compresses wage distribution, however there is no overall agreement on the effect that minimum wage has on employment. Classical theory dictates that employment levels are negatively impacted as a result of employees, whose productivity values are surpassed by the minimum wage, losing their jobs.⁸⁸ In practice, however, it appears that the macro-level outcome is dependent on particular characteristics within an individual country's economy. For instance, studies of the US and UK suggest that a minimum wage on the total number of working hours result in a decrease in working hours, while in Costa Rica results show the opposite. Studies done in Germany show no effect between the two variables. A 2004 analysis of the minimum wage increase in Turkey suggest that wage distribution was compressed, and that the likelihood of informal employment increased. It also concluded that a 1 percent increase in the minimum wage led to an increase in overall wages by 0.22-0.35 percent. Moreover, a 'lighthouse effect' was observed i.e., the increase in minimum wages led to an expansion of both the formal and informal economies.⁸⁹

⁸⁶ Aydın, Erdal, Mehtap Hisarcıklılar, and İpek İlkcaracan. "Formal versus Informal Labor Market Segmentation in Turkey in the Course of Market Liberalization." *Middle East Economic Association* 12 (September 2010).

⁸⁷ Acar, Elif Oznur, and Aysit Tansel. "Defining and Measuring Informality in the Turkish Labor Market." *Institute for the Study of Labor (IZA)*, no. 8377 (August 2014). doi:10.2139/ssrn.2475525.

⁸⁸ Stigler, George J. "The Economics of Minimum Wage Legislation." *American Economic Association* 36, no. 3 (June 1946). Accessed October 30, 2016. <http://www.jstor.org/stable/1801842>.

⁸⁹ Yüncüler, Gürcihan, and Çağlar Yüncüler. "Minimum Wage Effects on Labor Market Outcomes in Turkey." *Working Paper 14/16, Central Bank of the Republic of Turkey*, June 2016. Accessed October 30, 2016.

3.5 Syrian Refugee Labour Market Inclusion

Some have suggested that the Turkish government's efforts to establish and maintain decent refugee living conditions, and extend labour market opportunities to refugees, has been an act of public diplomacy.⁹⁰ Others argue that labour market reforms to accommodate refugees were consistent with broader macroeconomic reform goals. Regardless of the rationale, the extent and length of the Syrian refugee population's stay in Turkey has brought questions regarding the long-term sustainability of labour market inclusion to the fore. Such inclusion would certainly enable Syrians to become self-sufficient against decreasing donor support, and to encourage the growth of key sectors to offset resource expenditures. It may also offset the disadvantages associated with a large informal labour market, including downward pressure on wages and the displacement impact on locals. In short there are strong arguments that a more formalised labour market inclusion would benefit both Turks and Syrians.⁹¹ As detailed below, however, political obstacles need to be overcome, alongside more detailed analysis and forecasting regarding the outcomes that would follow specific sectorial inclusion.

3.5.1 Legal Framework

The legal framework governing Syrian refugees in Turkey can be found in Article 16 of the Constitution, which states that "the fundamental rights and freedoms in respect to aliens may be restricted by law compatible with international law". This means that the law concerning immigrants and foreigners must comply with international standards. It also states that the law cannot oppose or contravene international conventions that relate to foreigners. Moreover, Turkey is a signatory of the Geneva Convention of 1951 on the Legal Status of Refugees, as well as a party to its Additional Protocol added in 1967. Those arriving from non-European countries are evaluated for refugee status by UNHCR. However, the Turkish government has labelled Syrian refugees as 'guests' under temporary protection, in spite of this term not having a definition or a standing in international law.⁹²

The structure of the work permit law in Turkey makes it difficult to attain a high level of foreign worker inclusion in any one workplace. The law states that foreigners can comprise no more than 10 percent of Turkish natives in a workplace, and no more than 1 in every 5 businesses can be non-Turkish.⁹³ This quota is relaxed in the agricultural sector, and in the tourism and entertainment sectors, where companies that have hired at least ten Turkish citizens as full time employees are not constrained by the quota.⁹⁴

In January 2016, a law was passed that allowed Syrian refugees to apply for work permits. Although the law eased documentation restrictions, it also required Syrians to have a work contract before

⁹⁰ Betteridge, Ashlee. "The World's Best Refugee Camp?" *Development Policy Blog* (blog), February 21, 2014. Accessed October 30, 2016. <http://devpolicy.org/in-brief/the-worlds-best-refugee-camp-20140221/>.

⁹¹ Pinar, Abuzer, Esra Siverekli, and Murat Demir. "Outlook of Employers and Workers in Sanliurfa to the Employment of Syrians." *International Labour Organization*.

⁹² Ibid.

⁹³ Turkish Labor Law. "Turkey Grants Work Permit for Syrian Refugees." January 19, 2016. Accessed November 07, 2016. <http://turkishlaborlaw.com/news/legal-news/362-turkey-grants-work-permit-for-syrian-refugees>.

⁹⁴ Turkish Labor Law. "Obtaining a Work Permit in Turkey." April 21, 2015. Accessed January 08, 2017. <http://turkishlaborlaw.com/news/legal-news/362-turkey-grants-work-permit-for-syrian-refugees>.

applying for a permit. Because most refugees were engaged in informal labour, the result was a very low number of applicants.⁹⁵ The government's strategy thus overlooked the key factor driving refugee employment. Refugees' value-added for employees was that they were prepared to work for below-award wages and working conditions; the provision of a working contract would have absolved such advantage.

Moreover, although refugees have access to work permits,⁹⁶ they do not have special access to the labour market and labour quotas extend to them. The work permit law also holds that permits are only valid for as long as the worker falls under the country's protection. Refugees thus occupy a status akin to a temporary resident for economic purposes.⁹⁷ While this indeed augments refugees' capacity for self-sufficiency, it has a negative impact on workplace inclusion and creates a disincentive for employer investment.

Currently, there are an estimated 1.6 million Syrians of working age in Turkey, 300,000 of which are employed. This group has mostly found work in the sectors of agriculture, manufacturing, construction and textiles. Unlike other refugee host states, Turkey's Syrians have established businesses and are currently running firms. According to the Ministry of Economy, there are 2,827 firms in Turkey run by Syrians. Further, the number of companies with Syrian partners rose from 30 in 2010 to 1,599 in 2015, with 589 new firms established in 2016. In spite of this growth, Syrians face obstacles in managing businesses, including the opening of bank accounts, travel limitations and having no right to acquire property. The greater challenge was for lesser-skilled refugees to find decent employment within the formal labour market.⁹⁸

Over time, however, it appears that Turks' 'tolerance' for Syrian refugees has decreased, with questions about the viability of their labour market inclusion being raised. Similar to the far-right European trends, Turks have engaged in the dialectic that high levels of immigration threaten economic and political stability. This escalated when the prospect of offering citizenship⁹⁹ to Syrian refugees was proposed, triggering a strong social reaction couched in fears that such a move would threaten peace in Turkey. Other drivers include concerns about rising accommodation prices and costs of living, as well as downward pressure on wages due to Syrians' willingness to accept lower salaries. There are perceptions of a lack of international support, reinforcing the view that the budget is strained and wearing thin.¹⁰⁰ These concerns have some basis in reality. Theoretically, an influx of immigrants causes an outward shift in the supply curve for labour, and a possible, but smaller, outward shift of the labour demand curve. This combined shift results in an excess supply

⁹⁵ Kingsley, Patrick. "Fewer than 0.1% of Syrians in Turkey in Line for Work Permits." *The Guardian*. April 11, 2016. Accessed October 27, 2016. <https://www.theguardian.com/world/2016/apr/11/fewer-than-01-of-syrians-in-turkey-in-line-for-work-permits>.

⁹⁶ Interview with Ministry of Labour. Interviewed by Mays Abdel Aziz. Ankara, Turkey. October 27, 2016.

⁹⁷ Man, Fuat. "Some Reflections on Migration and Its Effects on Host Country's Labour Market: Syrian Refugees in Turkey." *International Journal of Academic Research in Business and Social Sciences* 5, no. 12 (December 27, 2015). doi:10.6007/ijarbss/v5-i12/1946.

⁹⁸ International Labor Organization. Workshop On Problems Faced by Syrian Workers, Employers And Entrepreneurs In Labour Market And Suggestions For Solution Overall Evaluation. June 13, 2016. Workshop Notes, Çukurambar.

⁹⁹ Tokyay, Menekse. "Syrian Refugees in Turkey: 'They Used to Welcome Us – Now They Throw Stones'" *International Business Times*. September 05, 2016. Accessed November 07, 2016. <http://www.ibtimes.co.uk/syrian-refugees-turkey-they-used-welcome-us-now-they-throw-stones-1579725>.

¹⁰⁰ Özerim, Mehmet Gökay. *The Political Economy of Anti-Immigration and the Syrians in Turkey*. October 26, 2016. International Relations Department, Yaşar University, İzmir.

of labour. Due to immigrants being willing to accept lower wages, local wages decrease, along with employment rates among those who are not willing to accept lowered salaries.¹⁰¹ Overall, the theory implies that an influx of immigrants hurts employment outcomes for the local population. Empirical studies, however, have reported conflicting results. Studies in the US and Germany have found that immigration has had a marginal impact on labour market outcomes for locals. In Turkey, a difference-in-difference analysis of wages, even when only considering new hires after refugee influx, reveals no impact on natives' wages.¹⁰²

Preliminary studies on the impact of the Syrian presence on the labour market suggest the labour supply shock on the informal economy has led to a displacement of nationals. However, it also led to occupational upgrades as an increased number of Turks, particularly men without a high school diploma, transitioned from informal to formal employment. Overall, Turkish women experienced displacement from the labour market. It must be noted, however, that these results are specific to a short-term influx of refugees; long term affects cannot yet be measured.¹⁰³

3.5.2 Host state receptivity

Host communities play a key role in the feasibility of refugee labour market inclusion both with respect to employer willingness to engage them and to invest in them. Interviews with small business owners and employees scattered throughout Istanbul revealed negative sentiments towards Syrian refugees. They referenced Syrians being a burden on the economy and cited declining businesses performance as a result of the Syrian presence.¹⁰⁵ Syrian workers seemed to be aware of the way they were perceived by Turkish colleagues. Some expressed regret about not having sought refuge in an Arabic-speaking country, because they thought this might have made for easier social and economic inclusion, although they were aware that their financial situation would not have been much better, if at all. Specifically, they noted that while their social situation would have been improved in Jordan, they were aware that the country's economy did not offer the same economic structure and absorption capacity for refugees.¹⁰⁶ Indeed, those employers

Table 1: Consumer Confidence (yearly average, 2009-2016)¹⁰⁴

2009	2010	2011	2012	2013	2014	2015	2016
66.2	73.7	79.6	75.6	76.0	72.5	66.3	69.5

¹⁰¹ Borjas, George, Richard Freeman, and Lawrence Katz. "Searching for the Effect of Immigration on the Labor Market." 86 (1996): 246-51. doi:10.3386/w5454.

¹⁰² Ceritoglu, Evren, H. Burcu Gurcihan Yunculer, Huzeyfe Torun, and Semih Tumen. "The Impact of Syrian Refugees on Natives' Labor Market Outcomes in Turkey: Evidence from a Quasi-Experimental Design." *Central Bank of the Republic of Turkey*, March 2, 2015.

¹⁰³ Carpio, Ximena V. Del, and Mathis Wagner. "The Impact of Syrians Refugees on the Turkish Labor Market." *Policy Research Working Papers*, April 24, 2016. Accessed October 30, 2016. doi:10.1596/1813-9450-7402.

¹⁰⁴ Turkish Statistical Bureau. "Consumer confidence index." December 2016. Accessed January 17, 2017. <http://www.turkstat.gov.tr/UstMenu.do?metod=temelist>

¹⁰⁵ Anonymous group interview with Turkish employees and shop owners. Interviewed by Mays Abdel Aziz. Istanbul, Turkey. October 24, 2016.

¹⁰⁶ Anonymous group interview with Syrian vendors and shop owners. Interviewed by Mays Abdel Aziz. Istanbul, Turkey. October 25, 2016.

interviewed who purported to be more sympathetic to the refugee presence also saw their presence as temporary, and that most would return to Syria as soon as the security situation stabilised.¹⁰⁷

Importantly, these attitudes towards refugees do not appear to be reflected in consumer confidence. The above table shows the yearly average consumer confidence from just prior to the refugee crisis in 2009 through to December 2016. These range from a low of 66.2 in 2009 to a high of 79.6 in 2011 and what might be an upwards trend in 2016. This suggests that perceptions of local vendors may better reflect social views rather than a compromised economic situation.

3.6 Demand-Side Analysis of Refugee Labour Inclusion Potential

3.6.1 Manufacturing

Manufacturing is generally hailed as a necessary sector for economic advancement. In the case of Turkey, however, an expansion of the manufacturing sector has already facilitated a qualitative leap in economic performance. Because of this, the focus in terms of labour should be directed away from cheap manufacturing labour and more towards sectors that generate higher value-added economic activity, such as renewables (discussed below).

3.6.2 Agriculture

The performance of the agriculture sector in the past decades has allowed Turkey to become completely food independent (it does not have to rely on external markets to import food supplies). Agriculture's gross value added to the economy stands at 9 percent and its employment levels constitute up 25 percent of the labour force. Overall, Turkey's net trade in agriculture is positive and stands at 4.5 percent as of 2012, meaning that Turkey exports more agricultural goods than it imports. Turkey aims to become among the world's top 5 agricultural producers, with a 50 percent increase in both the gross national product and exports of agricultural production expected by 2023. Turkey's business environment has enabled increased government investment in the agricultural sector.

Currently, the agricultural sector is dominated by subsistence farming practices, i.e. most farmers operate for self-sufficiency and not for commercial purposes. This explains the large gap between the sector's labour force contribution and its contribution to GDP. This practice shows signs of change, with a rising number of professional enterprises in the agricultural sector that are profit driven and thus produce more. Modern trade for groceries has been on the rise, suggesting an expansion in agricultural production. A report on possible projection outcomes in Turkey by 2041 suggests that the country could become a "centre of excellence" for agricultural practices and research and development. This is compatible with Turkey's approval of its first agricultural 'techno-park' in February 2011, where high-technology methods of production are researched and pursued, such as seed and soil development and greenhouse systems. Once production increases,

¹⁰⁷ Erdoğan, Murat. "Perceptions of Syrians in Turkey." *Insight Turkey* 16, no. 4 (2014).

the principal market for export potential is within the WANA region.¹⁰⁸ There is a high rate of informality within the agricultural sector, particularly among women.¹⁰⁹

Although the rate of agricultural family employees as a share of the total labour force has declined from 14 and 66 percent in 1988 for men and women respectively, to 6 and 40 percent in 2007, the rate for women remains high. Further, these rates seem to have followed the contraction of the agricultural sector's portion of total employment, and not necessarily a shift in wage or formality status. These rates indicate that locals are slowly turning away from agriculture, a trend that sits in contrast with the government's plans to invest in and develop the sector. This implies a potential opportunity for Syrian inclusion, especially considering that the Syrian economy was heavily dominated by agriculture (19 percent of Syrian GDP and 17 percent of the total labour force as at 2009).¹¹⁰ One advantage would be that Syrians would require little or no training prior to inclusion. Moreover, the possibility for knowledge transfer carries enormous benefit given that the Syrian agricultural economy was more advanced and diverse.¹¹¹

Although Turkey leads the region and other emerging economies in agricultural production (currently 52.4 million metric tons of crop¹¹² production yearly),¹¹³ it lags behind developed countries including the US and the UK, indicating that there is scope for improvement.¹¹⁴ Syria's crop production was consistently smaller than Turkey's in every crop category. However, when assessing crop yield, meaning the total productivity per sector, Syria's output is comparable to that of Turkey (see table below). A notable example includes Turkey's wheat crop yield of 1.98 metric tonnes per hectare versus Syria, that currently stands at 1.92. This indicates that Syrian refugees have useful skillsets for Turkey considering that their efficiency levels with less resources and investment have been comparable. Indeed, the International Labour Organization (ILO) has worked with UNHCR on income-generation opportunities for refugees through work with rural development agencies.¹¹⁵

¹⁰⁸ Price Waterhouse Cooper. *Turkey in 2041 - Looking to the Future*. May 2012. Istanbul.

¹⁰⁹ Aydın, Erdal, Mehtap Hisarcıklılar, and İpek İlkkaracan.

¹¹⁰ U.S. Department of State. "Syria (09/08/10)." September 08, 2010. Accessed November 07, 2016.

<http://www.state.gov/outofdate/bgn/syria/158703.htm>. Central Intelligence Agency. "The World Factbook: Syria." 2015. Accessed November 07, 2016. <https://www.cia.gov/library/publications/the-world-factbook/geos/sy.html>.

¹¹¹ Hanna, Asaad. "Syria's Withering Agricultural Sector." *Al-Monitor*. April 11, 2016. Accessed November 07, 2016.

<http://www.al-monitor.com/pulse/originals/2016/04/syria-agriculture-siege-situation-war-losses.html>.

¹¹² Includes production of wheat, milled rice, all grains, oilseeds and cotton.

¹¹³ United States. *World Agricultural Production*. US Department of Agriculture. Foreign Agricultural Service. December 2016. Accessed January 10, 2017. <https://apps.fas.usda.gov/psdonline/circulars/production.pdf>

¹¹⁴ Price Waterhouse Cooper.

¹¹⁵ Luca, Loretta De, Marian Fernando, Elise Crunel, and Lucy Olivia Smith. *Unleashing the potential for rural development through decent work: building on the ILO rural work legacy 1970-2010*. Geneva: ILO, 2011.

Table 2: Country Crop Yield, 2010¹¹⁶

Crop	Turkey	Syria
Wheat (million tons per hectare)	2.37	2.67
Cottonseed (million tons per hectare)	2.14	2.75
Cotton Area (kilograms per hectare)	1,361	1,320

3.6.3 Renewable Energy

Renewable energy in Turkey is a high-growth sector with the potential to integrate refugees. Renewables are seen as a universally sustainable investment that many OECD economies are beginning to turn to for expansion. There are indicators that Turkey is following this trend. A Price Waterhouse Cooper study found that Turkey's hot climate and natural waterways allows a third of its installed capacity to be replaced by renewable sources.¹¹⁷ It is particularly strong in hydroelectric and solar technologies and is expected to use these renewable sources to service a large part of the rising domestic demand for energy. Moreover, there is ample space and opportunity for growth, given that around half of the nation's potential hydroelectric capacity is yet to be constructed. More information on the skill profiles of refugees is needed to properly assess the potential for labour market inclusion.

3.7 Supply-side Analysis of Refugee Labour Inclusion Potential

3.7.1 Infrastructure and Real-Estate

The infrastructure sector has a high level of expected growth, particularly given Turkey's attractiveness as an investment location. The fields of real estates and construction are dominant forces in the economy, providing a combined contribution of 15 percent gross domestic product in 2015. In spite of this, construction and real estate only make up 7.2 percent of the labour market.¹¹⁸ Although there is no comprehensive data set on the skills of Syrian refugees in Turkey, patterns from Jordan and the Kurdistan Region of Iraq indicate a willingness among male Syrian refugee to work in construction. This is also reflected in their wage acceptance trends. A study conducted in Sanliurfa, in the southern Anatolian region of Turkey, showed that 21 percent of employers in the construction sector employed refugees as they would accept reduced wages.¹¹⁹

¹¹⁶ United States. World Agricultural Production. US Department of Agriculture. Foreign Agricultural Service. December 2016. Accessed January 10, 2017. <http://usda.mannlib.cornell.edu/usda/fas/worldag-production//2010s/2010/worldag-production-12-10-2010.pdf>

¹¹⁷ Price Waterhouse Cooper.

¹¹⁸ Turkish Statistical Institute. December 2016. Accessed January 11, 2017.

<http://www.turkstat.gov.tr/UstMenu.do?metod=temelist>.

¹¹⁹ Pinar, Abuzer, Esra Siverekli, and Murat Demir.

3.7.2 Agriculture and Retail

Agriculture makes up 20.2 percent of the labour force but represents only a 6.9 percent contribution to GDP, reflecting a discrepancy between the level of employment in the sector and the sector's output. Given that the Syrian labour market was agriculture-dominant (17 percent of the labour market in 2008), it is reasonable to assume that these skill sets are observable in the current refugee population.¹²⁰ However, given that a large portion of the refugees in Turkey hailed from Aleppo, Syria's industrial epicentre, this potential needs to be qualified with reliable data on refugee skill sets.¹²¹

3.7.3 Retail, Service and Trade Sectors

Syrian refugee involvement in the retail and service sectors is evident in Istanbul and other large cities, where many are hired informally in restaurants, small shops and business. Restaurants in particular have hired Syrians as they have specific skillsets in the production of Syrian cuisine and sweets.¹²² While only six percent of employers reported that they hired Syrian refugees because of their acceptance of lower wages,¹²³ this is a powerful sector for inclusion due to the low-skilled nature of most positions and Syrians being known for high quality standards and efficiency.¹²⁴

Interestingly, the language barrier has proven to be less problematic than might be expected. Many refugees have some knowledge of Turkish, often through on-the-job exposure or Turkish classes offered by the Gaziantep Metropolitan Municipality. Moreover, Arabic language skills is seen as an advantage given the number of Arab tourists frequenting large cities.¹²⁵ Arabic skills also create a potential for Syrians in the call centre business. Stakeholder interviews reveal that this market is seen as untapped and with conceivable potential to improve trade and boost business relationships with investors and customers in the region.¹²⁶

Retail and manufacturing, however, do pose risks vis-à-vis other sectors in terms of exploitation. Recent reports reveal that Syrian refugee children have been employed in factories run by large brands.¹²⁷ Lack of monitoring and legal enforcement mean that these trends are likely to continue.¹²⁸

¹²⁰ NationMaster. "Syria Labor Stats." Retrieved from <http://www.nationmaster.com/country-info/profiles/Syria/Labor>

¹²¹ Ozcan, Numan.

¹²² Wood, Josh. "Syrian businesses offer solace to refugees in Turkey." *The National*. September 03, 2016. Accessed January 12, 2017. <http://www.thenational.ae/world/middle-east/syrian-businesses-offer-solace-to-refugees-in-turkey>.

¹²³ Pinar, Abuzer, Esra Siverekli, and Murat Demir.

¹²⁴ Ibid.

¹²⁵ Güler, Eren. "Syrian refugees in Turkey start to work in service sector." *Hürriyet Daily News*. July 5, 2014. Accessed January 12, 2017. <http://www.hurriyetdailynews.com/syrian-refugees-in-turkey-start-to-work-in-service-sector.aspx?pageID=238&nid=68699>.

¹²⁶ Ozcan, Numan.

¹²⁷ Krishnamoorthy, Nandini. "Refugees making Marks & Spencer, Zara and Asos clothes in Turkey claims BBC Panorama report." *International Business Times UK*. October 24, 2016. Accessed January 12, 2017. <http://www.ibtimes.co.uk/syrian-refugee-children-making-marks-spencer-zara-asos-clothes-turkey-report-1587873>.

¹²⁸ Anonymous interview with foreign investor/small business owner. Interviewed by Mays Abdel Aziz. Personal interview. Istanbul, Turkey, October 24, 2016.

3.7.4 Foreign Investment

Though this does not pertain to any specific sector in the economy, Syrian businesses were more willing to relocate to Turkey than to Jordan and Lebanon. Such willingness to operate in Turkey is likely a result of government efforts to establish an investor-friendly businesses environment. Turkey's Ease of Doing Business Index world rank recently deteriorated from 63rd in 2016 to 69th in 2017.¹²⁹ However, with regards to starting businesses, Turkey's rank rose 11 places in this category, from 90th to 79th between 2016 and 2017.¹³⁰ This presents strong incentives to conduct business in Turkey. anecdotal accounts from those who have opened and managed businesses in Turkey show a very positive view of operating in the country. One investor claimed that the speed of opening a business in Turkey was incomparable, and took three days.¹³¹ Another noted that Turkey's tax and security process was much easier than Jordan's, where a security clearance takes two weeks to acquire before investing in a business. Moreover, it imposes low minimum capital requirement that range from 50,000 to 150,000 lira of upfront capital depending on the sector. It is noteworthy that Turkey's rank stood at 51 in 2014,¹³² suggesting that recent security compromises may have tightened restrictions surrounding inward investment flows.

Regionally speaking, operating in Turkey is also attractive considering their comparative advantage in raw materials for production. From a cost efficiency perspective, Turkey is an obvious choice considering its status as an OECD economy and associated quality standard requirements. Turkey also enjoys an advantage in terms of geographic proximity for business relocation. Finally, Turkey's market is considerably larger and thus carries more market and profit potential.¹³³

3.7.5 Longer-term Inclusion Considerations

The 2013 Law on Foreigners and International Protection (No. 6458) introduced an article that allows foreigners who have been in Turkey uninterrupted for eight years to access a long-term residence permit. This permit grants such foreigners the same rights as Turkish citizens, including business and labour market opportunities, with the exception of entering public service, rights to elect or be elected and vehicle import tax exemptions. This presents an opportunity for Syrians who have been in Turkey since the start of the conflict if conditions do not change.¹³⁴

Long-term inclusion policies should also consider the situation of younger refugees who need skills to meet labour market needs — whether in Turkey or a post-conflict Syria. Of the registered refugee caseload, 23.3 percent are under the age of 18. This represents both a threat and an opportunity. It is a threat only to the extent that the economy does not have the capacity to absorb

¹²⁹ Ministry of Agriculture. Turkey. *Food and Agriculture in Turkey*. Ankara: Investment Support and Promotion Agency, 2014.

¹³⁰ World Bank Group. "Doing Business | Turkey". Accessed January 24, 2017.
<http://www.doingbusiness.org/data/exploreconomies/turkey>

¹³¹ Anonymous interview with non-Syrian foreign investor. Interviewed by Mays Abdel Aziz. Personal interview. Istanbul, Turkey. October 24, 2016.

¹³² Trading Economics. "Turkey | Ease of Doing Business Indicators." accessed January 15, 2017.
<http://www.tradingeconomics.com/turkey/indicators>

¹³³ Anonymous interview with foreign investor/small business owner. investor/small business owner.

¹³⁴ European Parliament. Directorate General for Internal Policies. Policy Department A: Economic and Scientific Policy. *Turkey: Labour Market Integration and Social Inclusion of Refugees*. By Ahmet İçduygu., September 2016. Accessed January 16, 2017. [http://www.europarl.europa.eu/RegData/etudes/STUD/2016/595328/IPOL_STU\(2016\)595328_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2016/595328/IPOL_STU(2016)595328_EN.pdf).

an exponential increase in new entrants to the labour market. However, it is an opportunity insofar as these children and youth can be educated and trained to feed high growth and strategic sectors.¹³⁵

3.8 Policy Recommendations

- To enable strategic and more consolidated labour market inclusion, Turkey will need to adopt more specific modalities than a relaxation of work permit laws. The key impediment with work permit acquisition lies in the lack of incentive for an employer to formalise the contractual relationship. Incentives might include subsidies or tax breaks for employers that hire refugees. Job training-placement programmes that target Syrian refugees, similar to those trialled by the Danish Refugee Council in Kurdistan, is a similar modality and one that allows sectorial prioritisation.
- Formalisation of the labour market must be balanced with market equilibrium measures. A considerably high minimum wage deters employers from formalising work relationships, not only with respect to Syrians but also towards Turks who have been working informally at high rates pre-dating the refugee crisis. Realistic labour costs should inform any revision of the labour law, especially pertaining to unskilled labour. Specific wage regulations and requirements for refugees might be considered, including a potential for a wage-cost sharing facility between employees and international donors. Any such arrangement, however, must be balanced with Turkey's OECD status which sets minimum requirements with respect to labour laws, working conditions and human rights.
- Many businesses in Turkey are being run by Syrians showing that Syrians have an interest in investing in Turkey, and perhaps a desire to remain over the long term. These businesses might be considered for fast-track formalisation and specific assistance.
- The blanket labour quota that only allows 10 percent of employees to be foreign (with exceptions in the agriculture, tourism and entertainment sectors) might be revisited with respect to refugees. Such revisions should complement the government's growth objectives and at the same time allow them to make use of refugees with highly developed and specific skill sets.
- Turkey's key players in labour shifts include their Trade Unions, Chambers of Commerce and Employee Associations. Their input shapes the general discourse on labour policy and must be considered when making recommendations concerning work opportunities for Syrian refugees.

3.9 Future Research

Turkey sits in a unique position insofar as it has taken a highly liberal approach to both Syrian investment/business relocation, as well as access to formal labour market entry. This sets the groundwork for a specific inquiry on the impact of refugee labour on a host state economy. Moreover, since labour inclusion occurred at an early stage in the crisis, data collected in Turkey may also provide a baseline against which to compare efforts in other host states to integrate

¹³⁵ UNHCR. "Syrian Regional Refugee Response". 2016. Accessed January 16, 2017. <http://data.unhcr.org/syrianrefugees/country.php?id=224>

refugees. An interesting opportunity also arises to investigate the impacts of conflict-induced business relocation and Syrian investment in a host state. Data limitations encountered have prevented such an analysis. The demand-side analysis is incomplete because the data required to develop a sectorial growth forecasting model could not be collected; demand assessment is thus based on policy positions in various sectors and an analytical assessment on where growth in the Turkish economy is most strategic. The supply-side analysis is incomplete because data on refugee skill sets and prior occupation status, was not provided. If such data could be secured, combined with current levels of foreign labour and relevant quotas, more specific recommendations on the viable inclusion of refugees into the Turkish labour market could be generated.



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