



**Labour Markets Policies and Institutions,
with a Focus on Inclusion, equal Opportunity
and the Informal Economy**

**National Background Paper
The case of: SYRIA**

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EXECUTIVE SUMMARY and ACKNOWLEDGEMENTS

Syria offers today a very peculiar perspective for the analysis of labour market policies and institutions in developing countries. It experiences since the turn of the millennium an accelerated path towards liberal economic policies after decades of state capitalism, with timid growth rates and major changes in the structures of the economy following the deterioration of its oil balance. This transition comes timely when the working age population has its highest historical growth rates, and while the country has received a significant flow of Iraqi immigrants because of the invasion and the social troubles in this country. Also, the large size circular migration with Lebanon is disturbed function of the troubles in this country, and outward migration is continuing at a sustained rhythm, mainly to the Gulf countries, which are currently hit by the financial and economic crisis.

When addressing labour market questions, one of the major issues is the reliability of statistics and the clear assessment of the significance of key indicators. And in fact, all key indicators for Syria, as expressed in the data published for labour force surveys (LFS), show large year to year variations, including the size of the labour force. This questions the validity (variance) of the survey techniques especially that no comprehensive census exists on labour conditions: most of the employment outside the public sector is informal, and no systematic registration for unemployment is made, as there is no unemployment compensation scheme. On another hand, it is legitimate to question how the major shocks that occurred since the early 2000's have influenced these variations: mainly the arrival of Iraqi refugees, the events with Lebanon and the liberalization policies of the government, in particular the major privatisations and the elimination of subsidies in agriculture. This is in addition to the influence of weather conditions (rain or drought), the varying flows of trans-border rivers and oil prices, and to the fact that the country is under US sanctions since 2004 and has difficulties to invest in such basic infrastructures such as electricity power plants.

The detailed discussion of LFS data is, particularly for the case of Syria, a significant component of any analysis on the labour market.

The reported size of the population is to be considered carefully, as in addition to the 18.9 million Syrian citizens residing in the country, there is around 2.4% Palestinian refugees, 1.8% non-citizen Kurds, and an estimated 7.9% of newly emigrating Iraqi refugees, in addition to a now significant number of foreign workers (mostly domestic workers). Comparatively to the 19.4 million reported in the official statistics for end of 2007, Syria population could have been then at around 19.9 million without the Iraqi refugees, up to 21.4 million with the 1.5 estimated Iraqis. All this additional population profits from the public education and health system, and contributes to the labour force, but their status in the LFS is unclear.

The population growth rate is still at around 2.45% per year, the highest between Arab Mediterranean countries. The working age population is growing at a higher rate of 3.44%, expressing the arrival of the sons of the 1980's "baby boom" at age of work. The demographic pressure is even higher in cities, as Syria is experiencing a renewed dynamic phase of rural-urban migration. This internal migration is posing critical issues on the usage of land and resources, on urban organization (informal zones in cities) and on the urban labour market. Also, a significant

circular migration (seasonal, short term) had always existed with the neighbouring Lebanon and continues. No consistent data are available, but this migration is estimated involving around 14% of the Syrian work force (and around the third of Lebanon work force). The status of this migration in the labour force surveys is also unclear.

The participation to the labour force is a controversial issue. One factor is the above mentioned impact of the additional population, especially Iraqi refugees. Another major factor is women participation, where a significant decrease on the already low average Arab countries values (around 20%) is registered by the surveys. Considerable losses in the labour force size were measured in 2003 and 2004, especially for women; it resulted from a massive privatisation of agriculture, leading to a significant rural-urban migration. Women were the most hit by these losses, as agriculture used to constitute an important share of their employment. Women are assessed discouraged from employment in the now crowded informal urban zones, as they are there in direct competition with men, citizens and non-citizens. Women participation and discouragement from work in the informal urban zones need further assessment by targeted sociological studies; this is while the recent 2008 LFS shows a sudden significant increase in this women participation.

However, all stakeholders agree that the number of jobs needing to be created yearly to stabilize the unemployment rate ranges between 250 and 350 thousands (1/3 for women), function of the evolution of women participation and of the integration of non-citizens and refugees in the labour force.

The major dynamics of employment in Syria in the recent years is characterized by significant yearly losses of jobs in agriculture, mostly for women, at a much higher rate than what the aggregate data on the reactivated rural-urban migration would suggest. The job creation in urban areas, in particular in industry, services and tourism, are far from coping with the wave of new young comers to the labour market and with these job losses in agriculture, in addition to the incoming migration. The period 2001-2007 has been characterized by a net average creation of only 36,000 jobs yearly: men gaining 65,000 jobs per year, while women losing 29,000 jobs. Outside agriculture, 105,000 jobs were created yearly: 90,000 for men and 15,000 for women. Most of the urban women jobs created were by the public sector; but this was far from compensating the effect of women jobs losses in agriculture. The new data for 2008 LFS shows that, in net, 98,000 jobs have been lost in one year: men have lost 141,000 jobs while women have gained 43,000 jobs; the youngest being the major losers. The effects of the crisis and policies are at stake.

The LFS show also large yearly variations in the characteristics of employment. Complex dynamics are occurring in the Syrian society. In particular, women have lost in 6 years 57% of their jobs in agriculture, which constituted 65% of their employment. This, with the insufficient women employment creation in the private sector, tends to explain the discouragement of women and the “apparent” decrease of their participation rate. The public sector has absorbed part of this deficiency, making this sector contribution now to 57% of women employment. Decent work conditions are key issues for this outcome, as non-permanent employment concerns 29% of men employment, and as 32% of men are self-employed.

The informal economy (employment) is very large. The informal sector constitutes 34% of total employment. Outside agriculture, its share in total employment has increased from 24% in

2002 to 28% in 2007. Also, 64% of formal private sector employment is informal, with no registration at the, although mandatory, social insurance and with a large share constituted by the self-employed. The informal economy constitutes then 52% of non-agricultural employment and 79% of urban employment not related to state activities. The size of the informal sector has even increased further than what is depicted in the surveys since the installation of the Iraqi refugees.

There is no unemployment compensation scheme in Syria. The official unemployment rate at ILO criteria shows a decrease from 11.7% in 2001 to 8.4% in 2007, and then a sudden jump to 10.9% in 2008 (influence of the crisis?). The evolution of the official rate between 2001 and 2007 seems irrelevant to explain facts on the ground, as the decrease is mainly due to the stagnation of the measured size of the labour force, and an insufficient number of jobs have been created to maintain stable the unemployment rate. Unemployment is estimated ranging currently between 22% and 30%. Unemployment hits most hardly the youngest, in particular young women. It is the highest in rural areas, in particular in the Eastern region, feeding rural-urban migration. For the age category 25-29, 78% of unemployed men “had never worked before” and 92% of women. This share of those who “had never worked before” remains high even for the age category 45-49 (39% for men and 82% for women), and show also irregular year to year variations.

There is also an issue of excess employment and aging of employees in public administration and state-owned enterprises, while double employment is widely experienced by a vast majority of these employees. A controversy also exists on the size of discouraged workers; this size is measured low, while the labour market experiences intense pressures, including in the informal sector and while the rate of underutilization is estimated as high as 31%. Child labour is still a problem in the country: 6.7% of those aged 12-15 are working and 4.0% of those 5-15. The average wage in Syria is around 178 € per month (1.8 times the legal minimum wage), higher for women than men, as they are more present in highly educated jobs. The highest average salaries are in the public sector, while the pressures on the labour market push private sector average salaries to be low; the lowest for women in the informal sector at only 97 € per month. The average number of weekly working hours for salary people is around 44, comparatively to a legal maximum of 48. Different issues in LFS need to be sustained and refined by ground sociological studies.

Syria is experiencing a transition phase in its economic policies, accelerating since 2005. This is impacting labour market regulations and institutions. Present labour market regulations resulted from the socialist (state capitalism) period, while they are not enforced by the state (in particular for social insurance), and are circumvented by employers (in particular for contracts). The strict limitations on the rights of association, to form union and to strike have permitted such situation, and enabled the government to implement neo-liberal policies without a social bargain. The foreign pressures on Syria helped accelerating this liberalization, putting aside the social question. The current tentative to reform the labour law continues in the same perspective, with no drive to reduce informal employment and to improve social protection. Like in all neo-liberal reforms, labour rights are seen only through poverty alleviation and the action of welfare (although controlled) NGO's.

The Syrian constitution and labour laws have been elaborated within the framework of a state driven economy, initiated during the Union with Egypt where the state is assumed to ensure the rights of work and the right to obtain work, as well as social protection. Some of its flexibilities (dismissal conditions) have been rigidified later; but more importantly the rights for unions, collective negotiations and strike have been annihilated, and the generalization of social protection never fully implemented. This has resulted in putting all improvements of labour rights subject to ministerial decisions. Also, the liberalization of the economy, started after 1986, has gradually resulted in the dissemination of practices annihilating its provisions, including the new investment laws which liberated the new ventures from conforming to it.

A new labour law project has been approved by the Council of Ministers in July 2009, after two years of controversy on its initial version. The new project is still kept confidential avoiding submitting it to public debate before its introduction to the Parliament.

However, the Ministry of Social Affairs and Labour (MoSAL) had always had little means to impose conformity to labour laws; and informal employment and illegal practices had widely developed, including in the formal private sector. Labour inspections are symbolic and gangrened by corruption; and MoSAL limitation on the freedom of association has helped the continuation of these practices. Also, even the essential social protection consisting on free health services is now jeopardized by the ramping liberalization of the public health sector.

Also, the wage policy results from administrative and presidential decisions, and is not linked with social bargaining or indexed to inflation. The minimum wage system is very complex and inefficient. And despite, major increases since the early 2000's, this minimum wage is still half the poverty line for one employed person in an average family of 5.6 persons. Even the average wage of 2008 is 20% below such poverty line.

The major aspect of recent labour market policies has consisted on the creation in 2001 of an "Agency for Combating Unemployment" (ACU), aiming at urgently circumventing the deterioration of the labour market situation. ACU developed infrastructure projects in urgently needing areas and distributed extensively small loans for business development. It has been most probably the main contributor to the significant increase of employment in 2005 and 2006. A conflict between this agency and the government erupted in 2006, which led to its dismantling and replacement by the "Public Corporation for Employment and Enterprise Development" (PCEED), mostly dedicated to training, with a much more limited impact.

The general framework of the current governmental policies was set in 2005 within the 10th Five Year Plan (FYP 2006-2010); the first to adopt liberalism, under the slogan of "social market economy". This FYP only addressed labour within the context of poverty alleviation, with a main objective to reform the labour law to render it more flexible for the business environment, and no commitments on active or passive labour market policies. In particular, no clear reform path was set for the social security system, to solve present difficulties, face challenges of liberalization and generalize protection, and no clear path was set for establishing an unemployment compensation scheme.

The main focus of MoSAL and government policies consists presently on passing the new labour law, on the reform of employment offices, and on establishing a poverty census in Syria for the disbursement of assistance from a "Social Welfare Fund" (SWF) to circumvent the already applied liberalization and subsidies elimination policies. The fate of all three focus points is still unclear.

International organizations (UNDP, EU, etc.) and semi-official NGO's have taken the lead on issues related to labour market policies after the dismantling of ACU, and have changed the focus towards only entrepreneurship development, training and microfinance. Some of the assistance projects were dedicated to assist MoSAL and other ministries in their labour market policies, but the outcome is mitigated. The (neo-) liberal welfare orientation of most of these projects, and their limited impact (despite their large funding) comparatively to the dimensions of the employment problems in Syria, may not lead to proper solutions and divert the social dialogue needed today more than ever. EU assistance to Syria in this field has been focused on a project for vocational training, with deceiving results. It also insisted on pointing the excess employment in the public sector.

The global financial and economic crisis, with also its implications on the Gulf countries, is now affecting the Syrian economy. FDI's have slowed down, as well as exports, resulting in difficulties to the business sector; but the most important mechanism of transmission of the crisis is the slowing down of workers' remittances, which act as the major "social safety network". Also, the effects of the crisis come timely with those of the currently accelerating government policies; and no stimulus or social program has been initiated to circumvent these combined effects.

Also, the social dialogue is officially restricted in the country to the rare official NGO's. Social claims take mainly the form of critics through internet blogs, despite their limitation. Cases of strikes have been registered lately, even if they are strictly forbidden by the still ongoing "emergency laws" and even if the international pressures on the country from 2004 to 2008 have slowed down social claims. These forms of protestations have shown effective to make large mobilizations leading the government to retreat per example on a new civil code project, judged Salafist by both secular and religious actors. This "victory" of the civil society may explain the confidentiality surrounding the new labour code being elaborated.

Employment offices provided since the 1959 labour law have been only activated since 2001. In 7 years, the total number of registered job seekers is equivalent to around 30% of the labour force. Only 15% of them seem to be actively seeking a job, in fact a public sector employment, as the employment offices have acted predominantly as offices for hiring to this sector. Around 40,000 public sector jobs are filled this way yearly, mostly for the educated.

MoSAL is improving the operations and procedures of the employment offices, and intends with the new labour law to extend their role, not only to private sector hiring, as a mandatory passage point, but to the employment of Syrians in foreign countries. This is while the employment offices place currently less than 500 job seekers in the private sector, and play a negligible role in the labour market.

Private employment offices have started in the 2000's for the importation of foreign domestic workers. Such activities were finally regulated end of 2006; but the number of foreign workers has reached a sizeable share of the work force: more than 200,000 currently. This, with other exemptions for foreign workers granted by the ministry, shall make it difficult to regulate private employment offices and the labour market especially that the new labour law is unclear on this point and leave all issues to ministerial decisions.

Informal economy is not evil. It has played a major role, through social networks and despite government policies, in economic and social “inclusion” facing shocks and exclusions, in an exceptional way rarely reproducible in other countries without major social troubles. This was especially the case for the Iraqi refugees. But on the other side, informalities and the informal economy constitute and lead to mechanisms of exclusions, which endanger the “social compromise”, and which have to be faced and analyzed, as well as addressed by proper policies.

A first mechanism of informality and exclusion consists on the deterioration in decency of the status of salary employment and the absence of social protection for the overwhelming development of self-employment. The private sector has contributed significantly to create salary employments, and the share of public sector in salary employment has declined from 70% for those aged 45-55 to less than 40% for those 20-29. The informal sector is contributing as much for salary employment creation. But, the formal private sector has contributed to create a similar amount of self-employment jobs, and current labour market policies tend to increase this tendency as well as self-employment in the informal sector. The new projected labour code and the current social security regulations do not address properly self-employment. Thus, not only most salary people have no social protections, but also the self-employed and the family workers are excluded categories. The family worker exclusion is gender marked, as it constitutes a major informality mechanism for women.

A second mechanism consists on the exclusion of rural workers. A counter-agrarian reform was initiated in Syria in the year 2000, by a decision of the Baath party, which started by the dismantling of state farms and was followed by liberal laws annihilating the former government policies to fix peasants on agricultural land. It led to a massive rural-urban migration, started in 2003-2004 and the development of extreme poverty, in particular in the North-Eastern agricultural rich region of Syria. The process is still continuing; and no substantial government policy was initiated to accompany and circumvent its effects. The tentative dealing with this problem with the Agency for Combating Unemployment was stopped in 2006, and it was left to NGO's and international institutions, through training, micro-finance and entrepreneurship development. This massive exclusion mechanism has touched more than 10% of the labour force sent to urban informal zones and poverty. The concerned workers were simply taken out from labour force surveys, all becoming “informal”.

The Syrian authorities are focusing on liberal policies aiming to increase productivity. Labour productivity in agriculture increased by 61% in few years; and this has led to the deterioration of the employment situation of the rural population living from agriculture. The effects were stronger on the most vulnerable. This productivity only oriented policies has also led to the deterioration of the “food security”, insured in Syria for more than 15 years.

A third mechanism of exclusion and informality concerns the Syrian workers in Lebanon. This circular migration has always constituted a significant share of the Lebanese and Syrian workforces. It is not covered by statistics, while it can completely change the perception of employment and informality, and explains part of the yearly variations. The 1994 labour agreement between Syria and Lebanon, and the presence of the Syrian troops until 2005, institutionalized its informal situation in Lebanon, leaving most of these workers as “menial labour” without rights. This situation has constituted a tremendous opportunity for Lebanese and Syrian economies and employers, but left these workers excluded from decent work and in a precarious situation, largely subject to the turbulent variations of the Syrian and Lebanese economies and relations.

Another mechanism of informality and exclusion result from the fact that Syrian regulations lack proper residency and labour legislations for the work of non-citizens, while the numbers have become significant for non-citizen Kurds, Iraqi refugees and Asiatic domestic workers. The things are left case by case subject to varying ministerial decisions. This situation has largely increased the size of the informal sector and put additional challenges on the Syrian labour market. The social networks and the relief organizations have helped an incomparable absorption of refugees and non citizens, but most of the concerned categories are in precarious conditions, subject to menial work, and even human rights abuses.

Finally, different mechanisms create exclusion and informalities for women, both in rural areas and the urban informal zones. There is a general lack of base sociological studies and a ban on civil society organizations which impede addressing properly these exclusions. Rural women are affected like men by the deterioration of conditions in agriculture, but also a significant share of them assume full household and farming responsibilities, while men having the status of head of family are migrating to cities or to Lebanon. Also, women in informal urban zones have no access to employment as it is dominated there by informality and self-employment. There is a necessity to address legal women empowerment in rural areas, as well as the access of urban women to salary employment.

Some of the recent measures adopted by the government could help an increased formalization of the economy, but their impact shall be slow. They are all on employers and companies side, with no major drive for the formalization of employment. The formalization of employment through social insurance, protecting base access to health services and retirement rights, appears to be of highest necessity, as informal employment is dominant.

This study does not pretend to cover sufficiently all the issues relevant to labour market policies and institutions in Syria, with the limited time allowed, especially as the collection of data had posed many difficulties and as the subject has only be addressed by few researchers, with insufficient sociological background studies and with often controversial outcomes. However, some essential recommendations are made. They concern the improvement of statistics, labour force surveys and household censuses. They primarily address social dialogue, legal status of workers, the social insurance system, the employment offices, government stimulus programs, the bilateral labour agreement with Lebanon and Gulf countries, the economic and social rights of non-citizens, and the civil status of women.

The author is thankful for Dr. Chafik ARBASH (General Manager), Dr. Ali RUSTOM, head of population censuses, and the teams of the Central Bureau of Statistics, Syria, for providing the labour Force Surveys data, and for the fruitful discussions. He also thanks her Excellency Dr. Diala HAJJ AREF, the Minister of Social Affairs and Labour (MoSAL), for its support and its permission to access information necessary to this study; as well as Mrs Mays Al ASSWAD, from the office of the Minister for its dedicated support and will to overcome difficulties, as well as Mr. Bassem BAKER, the director of the labour force directorate at MoSAL. Also, special thanks are addressed to Dr. Mujahed ABDALLAH, the general manager of Public Corporation for Employment and Enterprise Development (PCEED), Dr. Khalaf ABDALLAH, the general manager of General Institution of Social Insurance (GISI) and Mr. Kinan BAHNASSI director

of the UNDP National Information System for Labour and Employment Policy . The author is also grateful to Prof. Elizabeth LONGUENESSE, Dr. Jamal BAROUT, Mr. Rabi NASR, Dr. Nabil MARZOUK and Dr. Imaddedine AL MUSBEH for their assistance and advices.