



INFORMAL LABOR AND MIGRATION IN THE ARAB REGION

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INTRODUCTION:

This paper aims to understand the recent impact of immigration on informal employment in the Arab region. Immigration is known to create opportunities for vulnerable employment and informal employment conditions, especially when taking place illegally or when host countries deny immigrants employment rights or decent working conditions (ILO). Hence, in a region where informal employment already accounts, according to some estimates, to more than %50 of non-agricultural employment (Tansel, 2016) and influx of refugees, especially Syrian, reached unprecedented numbers, this issue requires our utmost attention.

Due to time and space constraints, the paper will not be able to cover the exact impact of immigration on informal employment across the whole region. However, it will provide an overall view of the recent trends in immigration in the Arab region and its possible impact on informal labor markets, while focusing on actual impact in Lebanon and Jordan as exemplary case studies. The choice of Lebanon and Jordan was due to the noticeable impact of the Syrian refugee crisis on informal employment.

The paper mainly relies on secondary data and existing reports about immigration and informal employment in the region.

Overall immigration trends and their possible impact on informal employment:

In this section, and in order to facilitate discussing the Arab region, the paper will utilize IOM classifications. The IOM divides the Arab region into four main sub regions: the Gulf Cooperation Council, the Maghreb, the Mashreq and Least Developed countries (ESCWA and IOM, 2015). The Gulf Cooperation Council countries include Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. The Maghreb countries include Algeria, Libya, Morocco and Tunisia. The Mashreq countries include Egypt, Iraq, Jordan, Lebanon, State of Palestine and the Syrian Arab Republic. The Least Developed countries include The Comoros, Djibouti, Mauritania, Somalia, the Sudan and Yemen.

In total, migrants in the Arab region make up 8.24 per cent of the total population of which 68 percent are male and 32 per cent are females, while in some regions, such as in GCC countries, they make up more than %45 of the population (ESCWA and IOM, 2015). According to the Economic and Social Commission for Western Asia (ESCWA), the number of migrants living in Arab countries has more than doubled between 1990 and 2013. It went from 14.8 million to 30.3 million migrants, 40 % of whom were nationals from Arab countries (ESCWA and IOM, 2015). Furthermore, countries of the GCC and Libya stand out as their main countries of destination (ESCWA and IOM, 2015). While acknowledging the different forms of migration, this paper will focus on refugees and labor migration- whether regular or irregular- and their impact on informal employment.

The Arab region has the largest number of refugees and displaced populations in the world, most of whom are displaced within the region (ESCWA and IOM, 2015). By the end of 2011, more than 422,000 Libyans and 768,000 migrants had fled the conflict in Libya, primarily to Egypt, Tunisia, Chad,

Niger and Algeria (ESCWA and IOM, 2015). As of March 2015, the crisis in Syria had produced 4.8 million Syrian refugees within the region, of which 1.03 million are based in Lebanon, 0.66 million in Jordan, 0.26 million in Iraq and 0.12 million in Egypt (UNHCR, 2016a). Since the creation of the State of Israel in 1948, over two million Palestinians sought refuge in the region (ESCWA and IOM, 2015). Moreover, around 120,000 of Palestinian refugees living in Syria fled the country, including around 31,000 to Lebanon and 16,000 to Jordan (UNRWA, 2016).

Finally, the US-led invasion of Iraq in 2003 unleashed a flood of refugees, reaching an estimated high of 2.5 million, mostly in the Syrian Arab Republic, Jordan and Lebanon, while the conflict that broke out in South Sudan in late 2013 forced more than a million people to flee to neighboring countries such as Uganda, Ethiopia or Kenya, including 263,245 who fled to Sudan by the end of 2016 (ESCWA and IOM, 2015; UNHCR, 2016b).

On the other hand, the Arab region is also one of the main destinations globally for migrant workers (ILO, 2016a). In fact, the proportion of migrant to local workers is amongst the highest in the world (ILO, 2016a). Furthermore, labor migration to Arab countries is very gender-selective, since migrant workers are male (ESCWA and IOM, 2015). For instance, in the GCC countries, working age males (i.e. between the ages of 15 and 64) account for %64 and, in the Maghreb region, %51 of migrants (ESCWA and IOM, 2015). Certain sectors, however, such as domestic service, are female-dominated. For instance, in 2013, it was estimated that more than 296,000 non-Kuwaitis were employed in private households in Kuwait, and more than 900,000 non-Saudis in Saudi Arabia (ESCWA and IOM, 2015).

Having said that, both forced and labor migration do not lead to informal employment or denial of decent work conditions on their own. Nevertheless, research shows that the legal nature of migration, the skill level of workers and the existing labor regulations for non-nationals in host countries play the decisive role in creating this phenomenon.

Starting with the legal nature of migration, research shows that irregular migration¹ often provides opportunity for exploitative working conditions (ESCWA and IOM, 2015). This is especially true for the Arab region, especially when the number of people who leave GCC countries under amnesties since the mid1990-s can provide insight into the extent of irregular migration in the region. For example, a 2007 amnesty in the United Arab Emirates (UAE) led to about 350,000 people regularizing their status or leaving the country (ESCWA and IOM, 2015). Likewise, the most recent amnesty in Saudi Arabia, during the April - November 2013 period, enabled 4.7 million migrants to regularize their status and one million to leave the country (ESCWA and IOM, 2015).

Secondly, the Arab region is a destination for low-skilled workers in weakly governed sectors, such as construction or agriculture, which allows them to become vulnerable to exploitation and human trafficking (ESCWA and IOM, 2015; David and Marouani, 2016). Migrants in those sectors often find that their working and living conditions, or the type of work they are expected to undertake, differ from what they had been led to expect and that they are unable to leave due, for instance, to threats or debt bondage (David and Marouani, 2016). As an indication of this phenomenon, the

proportion of highly skilled migrants is relatively low in all GCC countries (ESCWA and IOM, 2015). Saudi Arabia has the highest proportion of highly skilled migrants, which amounts to only 18.9 per cent of the immigrant population (ESCWA and IOM, 2015). Also, migration to Libya, Jordan and Iraq is characterized by a considerable flow of the less educated, with a quarter of migrants being illiterate (David and Marouani, 2016). Even though refugees in the region usually have varied skill profiles, displaced populations in Arab countries are more likely to have limited skills. For instance, only 13 per cent of Syrian refugees working in Lebanon hold skilled occupations (ESCWA and IOM, 2015).

Finally, the Kafala (or sponsorship) system, which governs non-national employment in the region, has been encouraging informal labor. GCC countries, Jordan and Lebanon manage labor migration through this system, whereby migrants can obtain work permits and visas only if sponsored by a local citizen, a migrant authorized to sponsor other migrants, or a company (the kafeel) (ESCWA and IOM, 2015). This system makes migrant workers dependent on their kafeel (sponsor) in regards to determining their working and living conditions, therefore leaving them open to exploitation and abuse (ESCWA and IOM, 2015).

Moreover, labor regulations often remain under or even unenforced. Some migrant workers, especially those in domestic service, are not protected by labor laws (ESCWA and IOM, 2015) Although some countries attempted reforms such as Bahrain², Jordan³ or Saudi Arabia⁴, the overall conditions remain weak (ESCWA and IOM, 2015).

Likewise, few Arab states, especially in the Mashreq and GCC, have ratified founding documents of international refugee law, which has often allowed governments to restrict the right to employment for refugees, compelling them to be informally employed (ESCWA and IOM, 2015). Furthermore, in countries where such laws have been ratified, little has been done to enforce or implement them (ESCWA and IOM, 2015).

CASE STUDIES: LEBANON AND JORDAN

Jordan:

According to Jordan's latest population census, done in 2015, migrants in the country make up 30.6 per cent of the population, %43 of which are Syrians, %22 Egyptians, another %22 Palestinians, %4 Iraqis, along with a very small percentage of Asian nationalities hailing from Bangladesh, Sri Lanka and the Philippines (Bel-Air, 2016). Yet, access to the Jordanian labor market remains highly restricted for foreign nationals, which in turn furnishes the road for immigrant informal labor. According to some estimates, only 300,000 foreign workers hold regular working permits (Bel-Air, 2016).

To further elaborate, according to Article 12 in the Jordanian labor law, non-Jordanian workers, with no exception to refugees, can only be employed when they have qualifications that cannot be found within the Jordanian labor force, or in sectors where there are not enough Jordanian workers to meet the overall demand (Stave and Hillesund, 2015; IRC, 2016). Moreover all non-Jordanian workers are required to

obtain a one-year renewable work permit from the Ministry of Labor (Stave and Hillesund, 2015). Such a permit limits workers to one employer and a specific occupation; workers cannot switch employer or sponsor unless they choose to release them first (ILO, 2015; IRC 2016).

For example, in Jordan, ever since the beginning of the Syrian refugee crisis in 2011, only about %10 of employed Syrians have obtained formal work permits, while the rest are currently employed in the informal economy and outside the bounds of Jordanian labor law (Stave and Hillesund, 2015). A study has cited the high prices and difficulty associated with permits as main reasons for not applying to them in the first place (Stave and Hillesund, 2015). However, it should be mentioned that during the Syria donors conference, held in February 2016, Jordan pledged to integrate 200,000 Syrian refugees into its labor force within five years, especially in the country's Special Economic Zones (Bel-Air, 2016). In return, the EU, the World Bank and other donors promised Jordan two billion US dollars in aid packages, grants and "cheap" loans, as well as improved access to European trade markets for Jordanian products (Bel-Air, 2016).

According to UNHCR, there are currently about 616,000 Syrian refugees in Jordan, in addition to another 631,870 residing in the country as non-refugee immigrants, according to the Jordanian population census (Stave and Hillesund, 2015; Bel-Air, 2016). The clear majority of registered refugees come from rural areas in Syria and have a considerably low level of education (Stave and Hillesund, 2015; ILO, 2013). In fact, %60 of Syrian refugees above the age of 15 have never completed their primary education, and only about %15 of refugees above the age of 15 have completed secondary education (Stave and Hillesund, 2015; ILO, 2013).

With their education background and denial of working rights, Syrians became more prone to accept low-skilled employment and the poor working conditions it often implies. In fact, they started filling in vacancies with degrading conditions that Jordanians were hesitant or refused to work in. For instance, the share of total Jordanian male workers employed in the construction industry, which are primarily low wage jobs in an expanded informal sector, has decreased from 9 to %7 from March 2011 to March 2014, of which the main decrease is seen in the working age group of 25-15 (Stave and Hillesund, 2015). At the same time, the share of total Syrian refugee workers in the construction industry has increased quite substantially, indicating that Jordanians might have been crowded out of this industry by Syrians to some extent (Stave and Hillesund, 2015).

Moreover, as the Jordanian labor market conditions were conducive to informal employment, with already one out of two workers in the Jordanian host community found in informal employment, the supply of labor made of Syrian refugees contributed to the expansion of informality and the worsening of working conditions in the whole of the labor market (Stave and Hillesund, 2015). As Syrian refugees accepted to work for lower wages and harder working conditions than Jordanians, informalization of the Jordanian labor market increased, making compliance with poor or inexistent labor standards a serious threat to all workers alike (Stave and Hillesund, 2015).

1. Irregular migration: Movement that takes place outside the regulatory norms of the sending, transit and receiving countries. There is no clear or universally accepted definition of irregular migration. From the perspective of destination countries, it is entry, stay or work in a country without the necessary authorization or documents required under immigration regulations. From the perspective of the sending country, the irregularity is for example seen in cases in which a person crosses an international boundary without a valid passport or travel document or does not fulfill the administrative requirements for leaving the country. (IOM, n.d.)

2. July 2012, Bahrain enacted the Labor Law for the Private Sector (Law No. 36), repealing earlier legislation. Article 39 prohibits discriminatory practices, especially in the payment of wages and the termination of contracts, based on sex, ethnicity, language, religion and beliefs. Also, new procedures for settling labor disputes, including the creation of a Labor Case Administration Office, tougher penalties for employers who do not apply the new law, and fines on employers for delays in salary payments, were instated. The law also takes domestic workers into account.

3. In 2012, Jordan introduced regulations to limit the working day of domestic workers to a maximum of eight hours, and stipulating that workers do not need their employers' permission to leave the home outside working hours. However, those procedures have not been properly enforced and domestic workers are still not free to change employers even when their contracts end. Also, since July 2014, proof of health and life insurance for domestic workers is required in Jordan to obtain work permits and since August, employers have been required to open bank accounts for such workers.

4. In 2013, Saudi Arabia rolled out its Wage Protection System (WPS), which requires employers to register details of their employees' wages with the Ministry of Labor and to deposit wages directly into their bank accounts. The initiative was launched to improve the management of claims of nonpayment of wages and to allow monitoring of differences in wages between local and migrant workers. Also, Decision No. 310 of July 2013 on the Household Regulation on Service Workers and Similar Categories stipulated that employers must

A recent study found that Syrian refugee workers work longer hours than Jordanian workers, and are generally paid less (Stave and Hillesund, 2015). Secondly, that being employed on the basis of a written contract is significantly less common among Syrian refugee workers, who are more often employed on the basis of an oral agreement or employed without contract, than among Jordanian workers (Stave and Hillesund, 2015). Thirdly, that a smaller share of Syrian refugee workers, compared to Jordanian workers, report having been informed about work-related hazards and necessary precautions as well as having received necessary protective equipment from their employer. In addition, a larger share of Syrian refugee workers, compared to Jordanian workers, perceive the work they perform as exhausting, stressful, dangerous, or unpleasant (Stave and Hillesund, 2015). Fourthly, that very few Syrian workers are members of a trade union or a professional association, which gives them few avenues to voice their grievances (Stave and Hillesund, 2015). Finally, with low enrollment rates of Syrian children in basic schools, children became more employed in the informal sector (Stave and Hillesund, 2015). Only %65 of Syrian children are enrolled in school, while the enrollment rate for Syrian children starts declining from the age of 11. By the age of 15, less than %40 of Syrian children remain enrolled in school (Stave and Hillesund, 2015). This situation made economic activities carried out by children prevalent among Syrian children (Stave and Hillesund, 2015). In fact, more than %8 of Syrian boys within the age group of 15-9 are economically active, while in the age group 18-15, about %37 of Syrian boys are economically active (Stave and Hillesund, 2015).

Lebanon:

Lebanon is another exemplary case of how immigrants, and in specific refugees, are more prone to informal employment and in most cases, amplify an already existing phenomenon.

As of March 2015, Lebanon hosted an estimated 1.18 million Syrian refugees, of whom 1.17 million are registered and some 11 thousand are awaiting registration (ILO, 2015). Prior to the Syrian crisis, more than 300,000 Syrians were estimated to have been living in Lebanon. The country currently ranks first in the world in terms of refugees per capita (ILO, 2015). Likewise, Lebanon has a wide Palestinian refugee population that was estimated at more than 280,000 in 2010⁵ – about 6.4 per cent of Lebanon's population – of whom an estimated 206,360 were of working age (Ajluni and Kawar, 2015). Both Palestinian and Syrian refugees face a highly constraining right to work, making them particularly vulnerable to informality.

Lebanon is not a signatory of the 1951 Refugee Convention Relating to the Status of Refugees, although the Lebanese government created the Central Committee for Refugee Affairs in 1950 to administer the Palestinian population in Lebanon (ILO, 2015). Furthermore, Presidential Decree No 17561, dated 18 September 1964, controls the capability of foreign nationals to work in Lebanon (Ajluni and Kawar, 2015). Article 2 specifies that non-nationals seeking work must obtain prior approval from the Ministry of Labor before traveling to Lebanon (Ajluni and Kawar, 2015). However, obtaining a work permit is an uncertain, time-consuming process which most employers choose to forgo (Ajluni and Kawar, 2015). In addition, the cost of obtaining this work permit is expensive, as the employer is required to pay, per foreign employee, a one-time USD 1,000 bond as a “registration of sponsorship” to the Central Housing Loan Bank for the duration of a contract (Ajluni and Kawar, 2015). This leaves migrant workers highly dependent on their employers, with potentially negative repercussions for the migrant workers themselves. Moreover, it opens the door for

informal employment.

An interesting fact to mention is that prior to the Syrian crisis, Syrians enjoyed a preferential treatment in Lebanon. They did not need any visa to enter the country, and hence constituted, by far, the greatest proportion of expatriate labor in the country (ILO, 2015). In 1993, a bilateral agreement for Economic and Social Cooperation was signed between Lebanon and Syria, which abolished movement restrictions on persons and granted freedom to stay, work, and practice economic activity for nationals of both countries (ILO, 2015). Registered Syrians could live and work in Lebanon indefinitely, mainly as circular immigrants⁶, in addition to paying %25 of the actual cost of work permits (ILO, 2015). Furthermore, up until early 2015, registered Syrian refugees had the right to work for the first six months following their arrival under the condition of obtaining a work permit (ILO, 2015). Yet, following mounting social unrest⁷ and problems with public services provision, the government ended up suspending such rights (Errighi and Griesse, 2016). Residency requirements, a pre-requisite to being granted a work permit, were made increasingly difficult to obtain (IRC, 2016). Furthermore, refugees registered with UNHCR and attempting to renew or regularize their residency permit based on their UNHCR registration certificate (or through a non-employer sponsor) are currently required to sign a pledge not to work (IRC, 2016).

As for Palestinians, they have been and remain subject to restrictions on the types of employment in which they can legally engage in Lebanon. To this day, they are still not allowed to practice certain professions, such as medicine, engineering and law, despite the removal of employment restrictions in a 2010 legislation (Ajluni and Kawar, 2015). Moreover, the effects of past discrimination, which include lower wages and a lack of benefits and social security, remain present (Ajluni and Kawar, 2015).

Thus, the vast bulk of Syrian and Palestinian refugee employment, regardless of the level of education attained, is informal in character. About %92 of Syrians in Lebanon have no work contract and only %23 are paid a monthly salary, while the remainder are paid on an hourly, daily, weekly or seasonal basis (Ajluni and Kawar, 2015). As for Palestinians, where the Lebanese private sector accounts for %85.5 of total Palestinian employment, compared to UNRWA (%4.6) and NGOs (%3.5), less than one-fifth of employed Palestinians have a written contract (Ajluni and Kawar, 2015). Moreover, less than %6 benefit from health insurance; only about %26 receive paid sick leave; %1.6 receive pension benefits and %1.1 receive end of service indemnity (Ajluni and Kawar, 2015). This situation is not only a result of denial of working rights but also of existing demand for low-skilled workers who are vulnerable to informal arrangements. Educational attainment among employed Palestinians is generally lower than that of the Lebanese workforce. Palestinian secondary and tertiary attainment rates are far below those of their Lebanese counterparts (Ajluni and Kawar, 2015). Furthermore, only %13 of Syrian refugees working in Lebanon are found in skilled occupations (ESCWA and IOM, 2015). In Lebanon, data suggests almost total informality in agriculture (%92.4), construction and transport showing very high rates of informality (%80.7 and %71.7 respectively) and commerce registering above average informality (%58.1) (Ajluni and Kawar, 2015). In such an economy, the outcome of increased flows of low-skilled labor from Syria or Palestine has been a ‘downward spiral’ towards increasingly dire working conditions in these low productivity sectors (Ajluni and Kawar, 2015). The addition of hundreds of thousands of largely low-skilled Syrian workers is encouraging employers to further worsen the working conditions due to the increased supply of low-skilled

workers, exacerbating an already fragile situation. According to the World Bank, the share of informal work in the Lebanese labor market will increase by up to 10 percentage points (Ajluni and Kawar, 2015).

Furthermore, child-labor is a re-emerging phenomenon with the large influx of Syrian refugees, most whom are children (%53 are below the age of 18), with %73 of them not attending school making them, in principle, available to supplement their families' earnings through work (Ajluni and Kawar, 2015). A recent survey of 1,500 street children found that the majority were Syrians and were engaging in petty trade (Ajluni and Kawar, 2015).

CONCLUSION AND RECOMMENDATIONS:

The aforementioned clearly indicate that immigration can create conditions for informal labor, especially in response to geopolitical shocks⁸. However, the cases show that poor migration governance, including restrictive labor regulations for migrants and incomprehensible approaches to informal employment, are also the main reasons for the latter's expansion. Hence, with stronger migration governance and holistic approaches to informal employment, informal employment can be subsided.

Immigration governance reforms should include ratifying international conventions relating to migration, combating irregular immigration, and reforming the Kafala system, which would allow for more labor flexibility within the labor market and development strategies that integrate immigrants into host communities and capitalize on their human and capital assets (ESCWA and IOM, 2015; ILO 2016b).

Granting refugees the right to formal employment may prevent them from entering informal markets and allows the destination or transit country to regulate employment, ensuring that it responds to labor market needs and broader development plans (ILO, 2016b). Host countries will also harness valuable expertise, increase the size of the domestic market for consumption of goods and services, and benefit from tax revenues, which in turn can be used to develop host and displaced communities (ILO, 2016b).

Fears of pressure on host communities' labor markets are more a result of poor management and inability to capitalize on immigrants' existing assets. For instance, access to micro-finance and commercial banking can foster economic self-reliance among refugees, IDPs and other displaced populations (ESCWA and IOM, 2015; ILO 2016b). Having reliable sources of credit can contribute to planning and business expansion, and reduce refugees' vulnerability to risky borrowing practices and insecure financial schemes. Furthermore, vocational training to immigrants that considers labor market needs, existing skills, and demographic and gender particularities can contribute effectively to host countries' economic development (ESCWA and IOM, 2015; ILO 2016b).

On the other hand, the existing conducive environments in host countries to informal employment should be addressed. This requires a more holistic approach towards informal employment, irrespective of immigration. ILO's integrated approach to informal employment can be a good start in the Arab region. Their approach recognizes the macro-economic policies, the existing social factors and the legal structures that push towards informality (ILO, 2012; Daza, 2005). First, to move into formality, Arab states should promote growth

strategies that prioritize quality employment generation and move away from an investment policy that favored low-skill low-wage job creation (ILO, 2012). Both case studies showed how investment in low-skilled labor allowed for further deterioration in all labor force working conditions. Second, improving labor inspection and the overall regulatory environment to enforce international labor standards is a must if informal employment is to be narrowed down (ILO, 2012). Weak regulatory frameworks and institutional inspection capacities should be addressed. Third, recognizing the right of informal employees to organization in order to engage in social dialogue with government and employers will ensure more legitimate labor policies (ILO, 2012). Fourth, combating discrimination across gender, race, caste, disability and age is imperative to an inclusive formal labor market (ILO, 2012). Without a labor market for all, informal markets will inevitably exist. Fifth, accessing finance and skills development to all workers is a guarantee to further integration in formal structures (ILO, 2012). Sixth, social protection should be extended to all workers (ILO, 2012). And finally, decentralization and local development strategies are essential to safeguard the sustainability and inclusivity of formal labor markets (ILO, 2012).

pay domestic workers their monthly salary without delay, and give them one day off a week, at least nine hours of rest per day and proper accommodation.

5. This is a de facto estimate in contradiction to official UNRWA registration data which indicates that the number is 453,840 in 2010. However, per ILO, that count excludes unregistered deaths, and significant emigration of Palestinians from the country, especially in the 1980s and 1990s. (Ajluni and Kawar, 2015)

6. Circular migration is the fluid movement of people between countries, including temporary or long-term movement which may be beneficial to all involved, if occurring voluntarily and linked to the labor needs of countries of origin and destination (IOM, n.d.)

7. Relations between communities in the country, including refugees, were considerably strained in the immediate aftermath of the Aarsal events of August, where militants battled the army for several days. The tensions manifested through the erection of roadblocks, tit-for-tat kidnappings between various groups and attacks on informal settlements, particularly in the Bekaa (UNHCR, 2015)

8. EUI defines geopolitical shock as a sudden and relatively unexpected event or a series of events that has the potential to, and often does, lead to a destabilization of regional and/or international politics and security. (Ruhs and Van Hear, 2014)