

Syrians in Turkey – The Economics of Integration

Timur Kaymaz and Omar Kadkoy

Abstract: Worldwide, as of 2016, 65 million people have been displaced from their homes, the highest level ever recorded. Moreover, Turkey is now home to the largest refugee population in the world. As of August 2016, the number of registered Syrian refugees (officially referred to as Syrians under Temporary Protection by the relevant Turkish regulation, 2014/6883) is recorded as 2,724,937.

The integration of Syrians into the Turkish economy has so far been through human interaction rather than policy design. A longterm, sustainable framework of integration for Syrian workers and entrepreneurs is still missing as we near the fifth anniversary of the refugee influx. However, recently, the Turkish government's policy position on the Syrian population has gradually begun evolving from one of 'hospitality' to one of 'integration'. In this piece we outline the current state of play in terms of economic integration and list potential areas of intervention for local, national and international actors.

IN HIS SPEECH TO CEOS OF FOREIGN INVESTMENT companies just two weeks after the thwarted coup attempt of July 15, one of President Erdoğan's very few policy oriented points concerned the country's Syrian population. "If need be," remarked Erdoğan, "We will give citizenship to the Syrians. Our ministries are carrying out the necessary research. Rather than lodging them in tents, in primitive conditions, we will give them citizenship. There are lawyers, doctors, engineers, and nurses among them. Let us include these people in our society, so they can sustain themselves."¹

To those familiar with Turkish politics, these remarks stood out from the rest of Erdoğan's speech. The president had already raised the citizenship issue earlier that month, and was met with discomfort from all parts of the political spectrum in Turkey. Indeed, according to a nationwide poll conducted in March 2016, 82.9 percent of the Turkish population opposed naturalizing Syrians.² The failed coup attempt of July 15 and the political environment in its wake had provided an opportunity to quietly bury the citizenship proposal, but the president instead opted to revive and pursue it.

These citizenship discussions were initiated by the president himself in early July. Speaking at a fast breaking dinner hosted by the Turkish Red Crescent for Syrians in Kilis the only province in Turkey where the refugee population is almost as large as the host community President Erdoğan came bearing some good news. "Among our brothers and sisters, I believe there are those who would like to obtain citizenship of the Turkish Republic" the President said. "Our Interior Ministry is taking steps towards making this a reality."³ Remarks on that evening and on following days by President Erdoğan constitute a discursive rupture from Turkey's largely laissez faire attitude towards its Syrian population since the arrival

of the first groups of Syrians in early 2011. After all, the most powerful politician in the country had just suggested that Syrians, who do not even have refugee status in Turkey, may eventually be offered citizenship.

This rhetoric also suggests a significant shift from a policy framework of “Turkey hosting the Syrians” to one of “Syrians earning their livelihoods” in Turkey. Whereas the former policy framework largely approached the Syrian influx as a ‘temporary problem’ and aimed at ‘sustaining’ the population until the war was over, the newly emerging framework increasingly emphasizes the skills, qualifications, employment and integration of the Syrian population

Perhaps more importantly, however, the justification for naturalizing Syrians has primarily been based on the potential economic value added. During his now traditional speech following the Eid prayer, President Erdoğan once again stood his ground, emphasizing three times how Turkey could “benefit from the qualifications” of its Syrian population. This rhetoric also suggests a significant shift from a policy framework of “Turkey hosting the Syrians” to one of “Syrians earning their livelihoods” in Turkey.⁴ Whereas the former policy framework largely approached the Syrian influx as a ‘temporary problem’ and aimed at ‘sustaining’ the population until the war was over, the newly emerging framework increasingly emphasizes the skills, qualifications, employment and integration of the Syrian population.

With 2.7 million registered individuals, Syrians in Turkey today correspond to about 3.5 percent of the country’s total population. Only about 9 percent of this population resides in refugee camps, with the rest being left to their own devices in mostly urban settings.⁵ The urban spread of Syrians meant

their integration into the Turkish economy and society so far has been through their interaction with local host communities. This type of interaction has proven to be important not only for building bridges between the two communities, but also for enabling Syrians to contribute to the Turkish economy by boosting demand. Recent figures show that the Turkish economy grew by 4.8 percent in the first quarter of 2016, a rate that was largely attributed to private consumption due to wage increases and the Syrian refugees.⁶

However, the demand boosting effect of the Syrian population will be effective only for the short term. Medium and longterm plans should be designed to maintain Syrians’ active role in the Turkish economy, while formalizing the terms of their employment. This could be made feasible through inclusive policies ensuring better access to the labor market under public private partnerships.

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What is the state of play?

Turkey retains a geographic limitation to its ratification of the 1951 Geneva Refugee Convention, which basically means that ‘refugee status’ can only be given to those fleeing “events occurring in Europe”. However, following the mass influx of Syrians, the Government of Turkey responded with an ‘open door policy’ and provided immediate asylum to millions of Syrians. Following the initial influx, a legal framework was prepared



and ratified in October 2014 that labeled Syrians as Foreigners Under Temporary Protection and granted them certain rights.⁷ Under this regulation, registered Syrians have free access to public services such as education and health. However, integration into the formal labor market has remained a hot potato, largely going unaddressed for the first five years of the crisis.

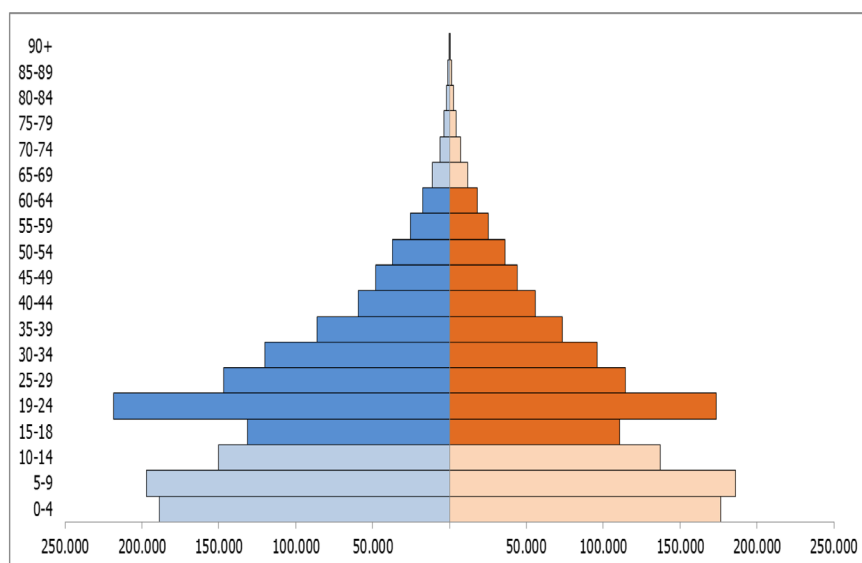
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Unable to find jobs matching their occupational skills and education levels, many high skilled Syrians decided to try their luck in Europe. Surveys conducted of migration routes show that about 30 percent of Syrians en route had university degrees a staggering figure, higher than even Germany's national average.⁸ On⁹ days where refugee arrivals to Greek islands from Turkey reached 10,000, this meant thousands of university graduates had drained from Turkey's potential labor force.¹⁰ So, with the aim of stopping Syrian brain drain and for Syrians in Turkey to be able to sustain themselves, the government issued a decree in January 2016 to ease the access of Syrians to the domestic labor market.¹¹ The nationality of beneficiaries was not explicitly declared, but the decree is chiefly aimed at Syrians under temporary protection.

Despite the progressive nature of the legislation, its actual impact in the six months since its ratification has been rather limited. Between 2011 and 2015, about 7,700 Syrians were granted work permits.¹² In the six months following the January decree, an additional 5,500 work permits were issued to Syrians.¹³ Despite the obvious post January

bump in the speed of the bureaucracy involved, the total number of Syrians with work permits remains significantly short of what we might expect. If Syrians in Turkey were to participate in the labor force in identical rates with that of pre war Syria, we estimate that nearly 750 thousand Syrians would be eligible for work.(see Figure 1)

Figure 1 Population pyramid of Syrians in Turkey, as of August 2016



Source: Ministry of Interior Directorate General for Migration Management

Note: Darker colors refer to the working age population (15-64), totaling 890 thousand males and 747 thousand females. The pre war labor participation rates for Syria was estimated at 73 percent for males and 14 percent for females between ages 15 and 64 (World Bank, WDI). If equal participation rates were attained under a hypothetical full employment case in Turkey, there would be 763 thousand Syrians working in the country.

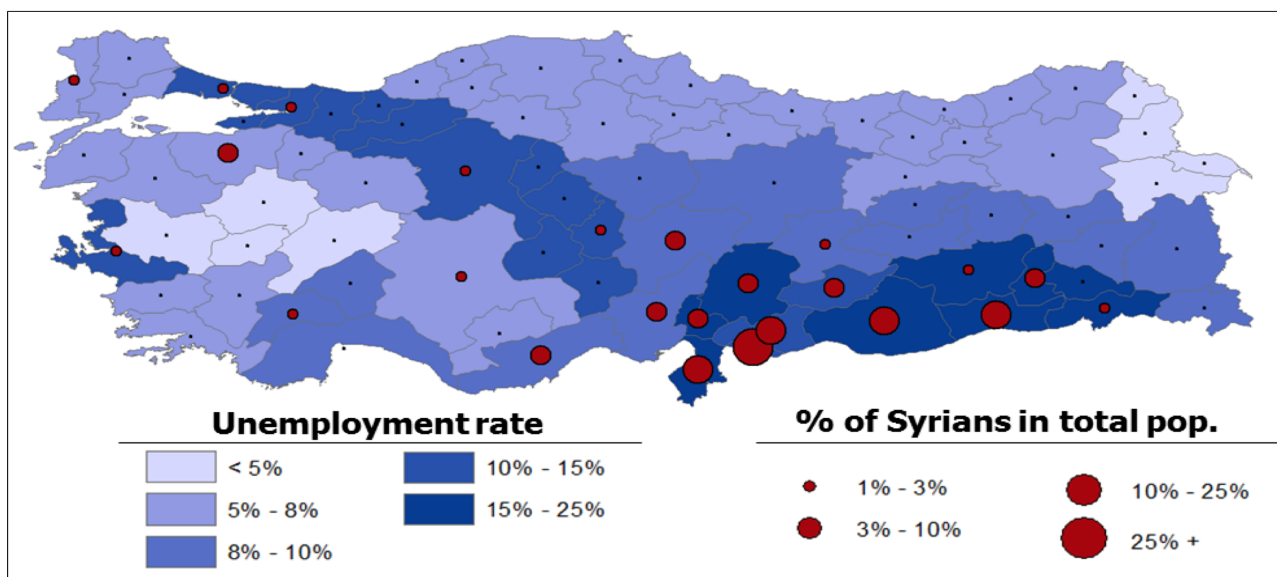
The low number of Syrians with work permits is rooted in multiple factors. Certainly, some of the technicalities of the original decree need further attention. The most important elements that need to be addressed in work permit legislation are the employment quota and the geographic limitation. Currently,



the law allows companies to employ Syrians as a maximum of 10 percent of their total workforce.¹⁴ In addition, Syrians are able to work only in the provinces in which they are registered. As a result, in its current form, the law limits the number of Syrians that

can work in a given province to 10 percent of its total private sector employment. Even though this formula appears to be workable after all, Syrians constitute roughly 3.5 percent of Turkey's total population the geographical distribution of Syrians suggests significant trouble for the suggested model (see Figure 2).

Figure 2 Unemployment rate (2015) and share of Syrians (2016) out of the total population of Turkey



Source: Directorate General for Migration Management, TURKSTAT, TEPAV calculations

Syrians in Turkey are densely located in Turkey's south eastern provinces, which have historically had high unemployment levels. As such, the current legislative framework exacerbates existing labor market problems in the region through driving the local and Syrian labor force into competition for lowpaid and informal jobs, primarily in the

construction, textile and manufacturing sectors.

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For example, the private sector in Kilis (primarily agriculture, industry & services) employs 16,000 people.¹⁵ If all companies were to employ the 10% quota, they could hire only 1,600 of the 130,000 Syrians in the city. The first step of applying for a work permit for a Syrian in Turkey is with the employer signing a contract of employment.

Recent legislation sets minimum wage and health insurance requirements for employing Syrians, and this usually steers employers towards employing local workers legally for language and skill reasons, or employing Syrians informally. According to a 2013 AFAD survey, the average monthly income of working Syrians in Turkey was reported to be 236 USD, roughly half of the national minimum wage for that year.¹⁶ As a result, competition between Syrians and locals in areas with a dense Syrian presence

such as the south east leads to displacement, especially of low skilled or unskilled males belonging to the local labor force (see Table 1). This dynamic can also be seen in work permit applications out of the 4,019 work permits given to Syrians in 2015, 3,739 of them were given to males.¹⁷

Table 1: The TR-C1 Region (Gaziantep-Adiyaman-Kilis) workforce indicators in comparison with Turkey as a whole, 2014-2015

| | TR C1 Region (Gaziantep, Adiyaman, Kilis) | | | Turkey | | |
|--|--|-------|-----------|--------|-------|----------|
| | 2014 | 2015 | change, % | 2014 | 2015 | change % |
| Total workforce, thousand | 733 | 772 | 5.3% | 28098 | 28929 | 3.0% |
| Unemployment, thousand | 60 | 78 | 30.0% | 2839 | 3039 | 7.0% |
| Unemployment rate, % | 8.2% | 10.1% | 23.4% | 10.1% | 10.5% | 4.0% |
| Male unemployment with below high school education, thousand | 34 | 42 | 23.5% | 1109 | 1170 | 5.5% |
| Increase in male unemployment with below high school education ratio, % | | | 44.4% | | | 30.5% |

Source: *Turkish Statistical Institute, TEPAV calculations*¹⁸

Syrian Entrepreneurship in Turkey

With the focus on demand side management, however, an equally important aspect of the integration of Syrians in Turkey remains overlooked: their potential contribution as entrepreneurs. In 2011, Syrian established companies represented about 0.2 percent of the nearly 54 thousand newly established companies in Turkey. Syrian entrepreneurs increased their presence in 2013, with Syrian companies constituting 1 percent of the total newly established companies in Turkey. The peak was in 2015, when the number of new Syrian companies surpassed 1,600, reaching 2.4 percent of the total new established firms in Turkey. South east Turkey and western metropolitan cities in particular increasingly became hubs for Syrian entrepreneurs (see

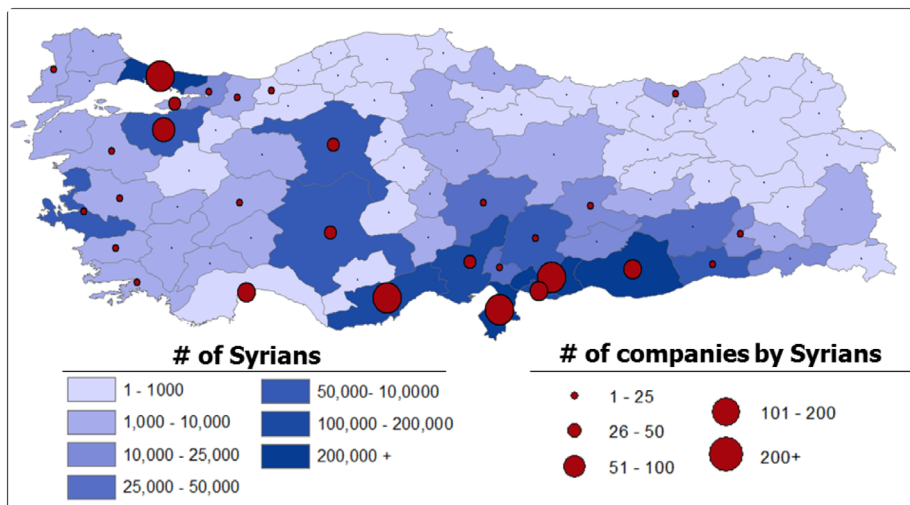
Figure 3). Istanbul, as the country's largest economic hub, was the obvious choice for about half of the Syrian established companies, with a total number of 1,838 new companies registered with Syrian capital in the megacity. Despite this sheer volume, however, the share of newly established Syrian firms was dwarfed by the vibrant ecosystem of Istanbul and represented a mere 3.2 percent of all newly established firms there. In contrast, even though the

absolute numbers of Syrian established firms are lower compared to Istanbul, their relative importance is much higher in south east Turkey. For example, in 2015, 13.1 percent of all new firms set up in Gaziantep, Turkey's industry and services hub in the region, had a Syrian shareholder. This rate increased to 15 percent in the coastal port city of Mersin and to an astonishing 35 percent in Kilis.¹⁹

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Figure 3 Number of newly established Syrian companies in Turkey between 2011 and 2015

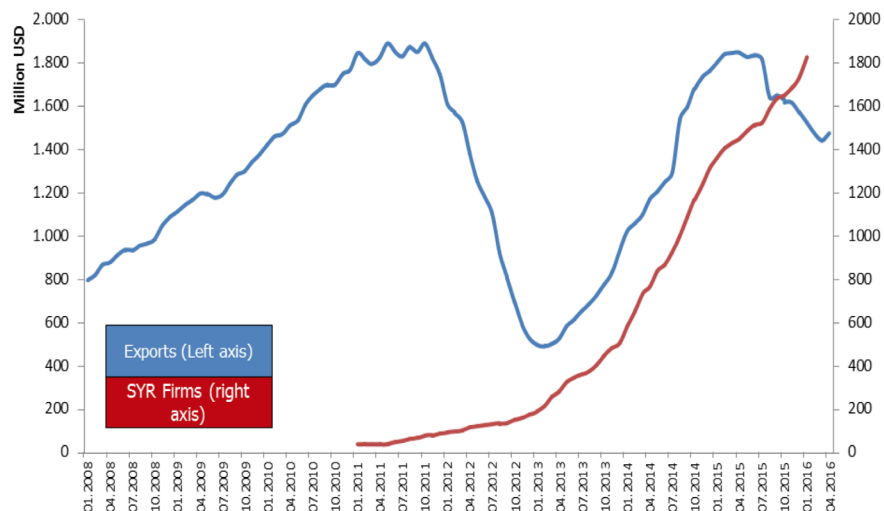


In 2015, 13.1 percent of all new firms set up in Gaziantep, Turkey's industry and services hub in the region, had a Syrian shareholder. This rate increased to 15 percent in the coastal port city of Mersin and to an astonishing 35 percent in Kilis.

Source: TOBB database, TEPAV calculations

When Syrian businessmen moved to Turkey, they did not only transfer their capital from one country to another, but they also transferred their web of relations. The impact of this transfer is best seen through Turkey's stabilizing exports to Syria. Turkish exports to its southern neighbor peaked at \$1.8 billion in 2010. They then dwindled to \$1.6 billion in 2011 and as the conflict worsened, flattened to \$500 million in 2012. Yet in 2014, Turkish exports to Syria again reached their pre 2011 levels, and data indicates that the increasing number of Syrian companies might have played an important role in this (see Figure 4). On a regional level, Gaziantep's exports to Syria quadrupled from \$96 million in 2011 to \$405 million in 2015, whereas Hatay's exports also doubled from \$100 million to \$226 million. This increase carried both cities to the top of the national rankings for exports to Syria.²⁰

Figure 4 Turkey's exports to Syria and number of companies established by Syrians in Turkey, y-o-y (2008-2016)



Source: TURKSTAT, TOBB, TEPAV Calculations

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How can economic integration be facilitated?

The primary barrier all Syrians face in their daily lives is the language problem. Syrian students in accommodation centers are offered three Turkish classes per week and socialize for the remainder of their time with other Syrians. The C1 level of Turkish proficiency Syrians need to receive in order to be admitted to Turkish universities is hard to attain without dedicated study of the language. To give an example, out of the Kilis Elbeyli camp's 25,000 Syrian inhabitants, only 39 have been able to attain the C1 proficiency certificate so far.²¹ This scenario also applies to Syrians residing in metropolitan areas. They largely learn Turkish either through community centers or daily interaction. In both cases, inside and outside the camps if Syrians cannot see the positive impact of learning Turkish, social and economic integration is likely to stagnate, leading to further ghettoization.

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The second obstacle in the way of economic integration is the lack of data. So far, what we have in hand allows us only very limited knowledge about Syrians in Turkey. The sole public database on Syrians, which belongs to the Directorate General for Migration Management, contains data on the number of Syrians by province, age and gender. Compiling detailed information on Syrians is a must if Turkey is to design and implement effective integration policies. Having a nuanced understanding of Syrians' educational attainment and occupational skills will enable local and national authorities to further upgrade their skills and match the demands of the labor market where possible.

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Thirdly, the intervention of the international community is running significantly behind schedule we are now in the sixth year of the Syrian crisis. The majority of internationally funded projects aspire to create an impact at the microlevel, while a coherent bigpicture strategy appears to be missing. Given historical volumes of worldwide displacement, developing additional mechanisms to facilitate refugee populations' integration into all their host communities, and not just Turkey, is required. Integration is the only way to create sustainable solutions to problems arising due to mass migration while attaining a degree of social cohesion. The international community must support host countries in their efforts to generate and maintain sustainable economic opportunities for this large number of Syrian refugees. Operationalizing experience sharing mechanisms between Turkey and countries with a long history of refugee and migrant integration may also help Turkey in designing a long term integration roadmap.

Fourthly, on the government side, we must see further steps taken towards designing and implementing a framework of sustainable integration. During Ahmet Davutoğlu's Prime Ministry, the Ministry of Development and other line ministries were reportedly working on an "Integration Master Plan". We are yet to see the extent to which the new government will take ownership of that initiative. No matter the original political impetus, the government's stance on the Syrian integration issue that emerges once the post July 15 State of Emergency is over, both legally and psychologically, will be



crucial. Here, the Turkish private sector also has an especially important role to play, as the sustainable integration of Syrians can only be achieved through enabling refugees to work in order to earn their living.

Following five years of an open door policy, Turkey appears to have reached equilibrium with regards to its Syrian population. With the EU Turkey agreement of March 2016, Turkey has effectively stopped being a transit country. Now, all actors and institutions must internalize the idea that Turkey's Syrian refugee crisis is far from being of a 'temporary' nature and develop policies aimed at their sustainable and durable integration. This is why the aforementioned shift from a policy framework of "Turkey hosting the Syrians" to one of "Syrians earning their livelihoods" comes at a crucial time.



Endnotes

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