

INVESTMENT IN EDUCATION, EMPLOYMENT AND ECONOMIC PERFORMANCE IN SYRIA



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INVESTMENT IN EDUCATION, EMPLOYMENT AND ECONOMIC PERFORMANCE IN SYRIA

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CONTENTS

EXECUTIVE SUMMARY	5
1. INTRODUCTION	11
2. HUMAN CAPITAL AND GROWTH IN SYRIA	13
2.1 Some disappointing evidence	13
2.2 Returns to education	15
3. THE EMPLOYMENT CHALLENGE IN SYRIA	19
3.1 Labour supply pressures	19
3.2 The changing structure of labour demand	23
4. THE RELATIONSHIP BETWEEN EDUCATION AND EMPLOYMENT: UNRESOLVED ISSUES	31
4.1 School leavers, unemployment and the transition from education to work	31
4.2 VET diplomas and employment	33
4.3 Hiring practices in the public and the private sectors	35
4.4 The public sector employment model	36
5. THE QUALITY AND RELEVANCE OF EDUCATION AND TRAINING	37
5.1 Preparatory education	38
5.2 Secondary education	38
5.3 Intermediate institutes	39
5.4 University education	40
5.5 Training during the transition from school to work	41
5.6 Continuing education and training	42
6. POLICY PROPOSALS FOR IMPROVING THE EFFECTIVENESS OF THE HUMAN RESOURCE SECTOR	45
ACRONYMS	49
REFERENCES	51

EXECUTIVE SUMMARY

To support the preparation of Syria's new five-year plan (2006–10), the State Planning Commission of Syria has asked the ETF to provide technical assistance on a study about the link between investment in education and growth in employment and economic performance. The purpose of the study is to analyse weaknesses and problems that restrict employment and limit the growth potential of human resources. The ultimate objective is to identify areas requiring policy action and to present recommendations that can lead to better labour force utilisation and greater economic growth.

HUMAN CAPITAL AND GROWTH IN SYRIA

Over the past 30 years, economic growth in Syria has been based mostly on gross capital investment and labour force growth. Low, sometimes negative growth rates in capital and labour productivity have been recorded. Total factor productivity, which measures economic growth that cannot be accounted for by increases in the stocks of capital and labour, actually declined during the 1980s and 1990s (IMF, 2003).

In Syria, as in other Middle East and North African countries, fast-expanding school and university enrolments have resulted in a significant expansion of the stock and quality of human capital, but economic growth has been disappointing and labour productivity growth has been weak or in many cases negative. Policies have favoured the development of a large public sector, while the formal private sector has been subjected to tight regulations that have hindered its development. When adequate job opportunities in the private sector are insufficient to accommodate the stock of

educated labour, new graduates and school-leavers tend to opt for low-productivity public sector jobs and employment opportunities abroad, or find or create their own jobs in the informal sector.

The Syrian economy is also characterised by poor use of educated labour. In 2003, 75% of the total active population with a higher education degree (university plus intermediate institute) was employed in the public sector, which is characterised by overstaffing and low labour productivity. Only 20% of higher education degree holders were employed in the private formal sector. As a result of inefficient allocation of educated workers in the labour market, progress made in improving the education and training systems has not resulted in decisive labour productivity gains.

A growth model based on gross capital investment and labour force growth is no longer tenable in the long run. The new growth model should seek to achieve significant labour productivity gains through more efficient use of labour. Given the constraints that will prevent the development of employment in the public sector, a proactive employment strategy aimed at supporting the creation of skilled jobs in the private sector, where wages are more in line with labour productivity, is the key to a more efficient use of labour.

In order to gain a better understanding of educational outcomes in Syria, this study provides estimates of the private returns to education in the country. The rates of return for an additional year of schooling are generally low, but increase with the individual's level of educational attainment. Returns to higher education are slightly higher in the private sector, both for men and women. Rates of return are essentially

INVESTMENT IN EDUCATION, EMPLOYMENT AND ECONOMIC PERFORMANCE IN SYRIA

zero for male graduates of intermediate institutes working in the private sector, indicating low levels of productivity. Until recently, graduates of intermediate institutes were guaranteed jobs in the public sector where government-set pay scales dictate wages. As a result, over 80% of intermediate institute graduates work in the public sector. As of 2001, however, government jobs are no longer guaranteed and male graduates will now have to search for jobs that may not match the training they have received.

LABOUR SUPPLY PRESSURES

Syria is currently experiencing substantial labour supply pressures from several sources. Firstly, demographic pressures have led to a large influx of young people into the workforce. High population growth rates during the 1970s and 1980s contributed to high labour force growth rates, of between 5% and 6%, during the 1990s. While the absolute number of jobs that needs to be created will continue to increase, the labour force growth rate has begun to decline as the demographic wave moves into mid-career; this rate is expected to continue its steady fall, reaching less than 3% by 2025.

Secondly, female labour force participation is increasing, from low initial levels. If current trends continue, raising female participation rates will annually contribute around 0.6 to 0.8 percentage points to projected labour force growth rates over the next 20 years. Thirdly, political developments in neighbouring Lebanon have resulted in the return of many expatriate workers. If the situation does not normalise, the return of Syrian expatriate workers will place additional and immediate pressures on the local labour market.

THE CHANGING STRUCTURE OF LABOUR DEMAND

The Syrian government has played a dominant role in the economy for decades, both in terms of employment and spending and in terms of regulating the private sector. In 2002, around 24% of the civilian

labour force worked in the public sector, both in government agencies and in public sector enterprises. The Syrian government is slowly moving away from a model that relies heavily on the public sector to employ Syrian workers. If the government follows through on this paradigm shift, it will be left up to the private sector to generate the jobs needed by the economy.

The formal private sector has not been able to absorb the increasing numbers of school leavers, and many have been forced to find jobs in the informal sector. The informal sector employs around one-third of total workers and mainly consists of small firms that range from simple repair shops to technologically sophisticated manufacturing enterprises that are small enough to escape government scrutiny. Firms in the informal sector are potentially the engine of employment growth in Syria and disincentives should be removed to encourage them to enter the formal economy.

Workers in Syria are covered under several labour laws that tend to deal separately with public sector and private sector workers. Many labour laws are circumvented or ignored, especially by the private informal sector. Dismissals are rare, however, and most workers are not fired once they have been hired by a firm. The Syrian government, realising that the current labour law is contributing to an adverse investment climate, is working towards reforming the law and significantly reducing the restrictions and procedures involved in dismissals.

THE RELATIONSHIP BETWEEN EDUCATION AND EMPLOYMENT: UNRESOLVED ISSUES

Unemployment in Syria is very much a labour market insertion problem, mainly concerning young people. Young workers aged 15–24 represent almost 80% of the unemployed population. Unemployment rates are higher for women than for men across all levels of education, indicating higher turnover and/or longer waiting times for young female jobseekers.

In the absence of a public social safety net, most workers with little education have no other option than to accept low-paying jobs in the informal sector. At the other end of the spectrum, some educated young people prefer to wait for jobs in the formal and public sectors which offer better wages and more generous non-wage benefits. Wait times for public sector jobs tend to decrease with educational attainment. As a consequence, higher levels of educational attainment are sought, not necessarily because of higher wages, but because of increased chances of obtaining employment, especially in the public sector.

A permanent and growing surplus of unemployed, mostly young school-leavers has triggered an artificial and unhealthy stiffening of hiring practices in both the public and private sectors. In the public sector, graduates and school leavers are queuing for jobs in ministries and public companies, and recruitment decisions are being based on diplomas and grades obtained and not on a match between the applicant's qualifications and the requirements of the job in question. In the private sector, companies are being encouraged to exaggerate their qualification requirements and set artificially high barriers that have little to do with the quality of education received, nor with expected labour productivity.

At the macroeconomic level, the public sector employment model maintained in Syria is a major cause of low labour productivity. The negative effects of this model are not always taken into consideration by employment and labour market policies. First, low wages and wage rigidities in the public sector prevent adequate compensation of qualified personnel and have a negative effect on performance and morale. Second, short effective working times enable public sector workers to seek a second job in the private sector. The negative consequences of multiple job holdings on the functioning of the labour market are immense and not well documented. Third, the situation does not encourage ministries and public companies to adopt efficient human resources management practices. And

fourth, although salaries are low, the large number of public sector employees contributes to high labour costs, a situation that is not tenable in the medium and long term in the wake of dwindling oil revenues.

QUALITY AND RELEVANCE OF EDUCATION AND TRAINING

A sound and rational public debate about the quality of education and training has not yet taken place in Syria. It is indeed difficult to appraise the quality of education when the labour market is dominated by a large surplus of labour and rigidities of all kinds. However, the Ministries of Education and Higher Education acknowledge a serious quality problem and are initiating and implementing some programmes and initiatives aimed at improving the quality and relevance of Syrian education.

In 2003, Syria participated for the first time in an international study measuring student achievement, the Trends in Mathematics and Science Study (TIMSS). The results suggest that Syrian students' scores in both mathematics and science are low by international standards. A five-year project (2005–10) aimed at improving the quality of basic education has been designed by the Ministry of Education. It focuses on teacher training, the development of new curricula according to international standards and the introduction of information technology in schools.

Children are allocated to either general or technical education according to the grades obtained on their preparatory school final examination. The policy of the Ministry of Education has been to decrease the share of preparatory school completers enrolling in the VET route in an attempt to improve quality and relevance. Still, secondary VET education is characterised by low enrolment and high dropout rates. The EC/MEDA programme Modernisation of the technical and vocational education and training system, is one initiative adopted by Syrian authorities to improve the quality and relevance of VET in two sectors, the ready-made garment industry and maintenance in the electrical and mechanical engineering industry. Another

INVESTMENT IN EDUCATION, EMPLOYMENT AND ECONOMIC PERFORMANCE IN SYRIA

initiative has been to adopt the dual system. Generalising the dual system would help increase the quality and relevance of VET to labour market needs.

In sharp contrast with secondary technical schools, intermediate institutes enjoy a high degree of credibility and prestige among students. However, most intermediate institute graduates seek salaried jobs in the public sector. Gearing graduates to private employment, small and medium-sized enterprises (SMEs) and self-employment will be the major challenge facing intermediate institutes in the coming years. Efforts are under way to involve the private sector in curriculum development, to increase practical training and to upgrade the training of teachers. Some intermediate institutes were recently given the right to charge student fees and keep this revenue in their own budget.

About 245,000 students are enrolled in the four public universities, and about 4,000 students go to study abroad every year. Poor quality and bureaucratic management are the two causes for concern in universities. A new law promoting administrative and financial autonomy of universities is about to be approved. Steps are also being taken to establish a quality assurance and accreditation agency.

All these initiatives show that the educational authorities are trying to overcome the perceived deficiencies of the education and training sector. But the effectiveness of these initiatives will be limited in the existing labour market conditions. Unless labour market reforms and employment promotion policies are vigorously pursued and significant progress in these areas is achieved, the effectiveness of additional investments in higher education and training will be severely impaired.

POLICY PROPOSALS FOR IMPROVING THE EFFECTIVENESS OF THE HUMAN RESOURCE SECTOR

A proactive employment policy should be given prominence in Syria's next five-year

plan. Within this overall framework, the following policy proposals are aimed at addressing some of the issues most critical to maximising the social efficiency of investment in education and training.

1. *Reforming human resources policies in the public sector:* Ministries and public companies should be encouraged to adopt redundancy and attrition policies aimed at reducing overstaffing and improving labour force utilisation through longer effective working time. These policies should be coupled with explicit salary premiums to retain key qualified personnel. The guiding principle should be 'fewer but better used, better paid, and more motivated public sector employees'.
2. *Promoting employment in the private sector:* It is expected that the private sector will play a primary role in absorbing new labour market entrants over the next few years. Policies should therefore be adopted that support the development and growth of the private sector. The government should consider removing the remaining barriers to entry and to phasing out both implicit and explicit subsidies to public sector enterprises. Private sector companies should face clear and reasonable registration requirements. The corporate tax system should be simplified and tax rates reduced. These steps might actually increase tax revenues by encouraging higher rates of compliance. The government should follow through on proposals to reform the country's labour laws, including worker dismissal laws. At the same time, appropriate worker safety nets need to be developed.
3. *Facilitating job creation in small companies:* Small companies requiring limited investment capital but with a good potential for job creation and employment growth should be given prominence in a pro-active employment policy stressing job creation. These companies should benefit from simplified registration procedures, a limitation of 'visits' or 'authorisations' of any kind delivered by public authorities other than tax and social security authorities, and an increased possibility

of receiving start-up loans. Small companies in the informal sector are an especially promising source of employment growth. This is because they deliberately remain smaller than their true potential in order to escape government notice.

4. *Developing appropriate tools to assess quality in education:* In Syria, student performance is exclusively assessed by means of nationwide examinations. These end-of-cycle examinations are not sufficient to monitor student learning performance, identify weak spots in the teaching/learning process or serve as a basis for appropriate pedagogical change. Syria needs to develop appropriate tools to monitor and improve the quality and effectiveness of its education system at both the individual and institutional levels. This could take place through the establishment of a national testing service to enable periodic assessment of student learning performance during preparatory education and institutional evaluation of a sample of secondary schools.
5. *Improving the relevance of vocational education and training for the private sector:* The relevance of vocational education and training could be strengthened by stronger involvement of private employers in policymaking at the national level, by the establishment of local private industry councils that would help to advise and direct VET programmes, and by direct involvement of employers in the governance and monitoring of educational institutions. Private sector input into the development of curricula will help to improve the standing of VET school graduates in the eyes of the private sector. In addition, labour market information systems that can help the Syrian government, local government, VET school administrators and private industry councils to identify occupations with capacity to absorb VET graduates should be established.
6. *Support the development of continuing vocational education and training:* Continuing education and adult training and retraining facilities in Syria are scarce and heavily fragmented. This is a direct consequence of a labour market in which unemployment affects mostly young people and job security for adults prevails over efficient human resource management. An increased importance of the private sector for employment coupled with retrenchment in the public sector will lead to higher labour mobility. It is proposed that a system be established to fund, promote, and develop continuing education and training opportunities for young people and adults (i) seeking jobs in the private sector, (ii) setting up their own independent businesses, and (iii) wanting to retrain for job change after layoff.

1. INTRODUCTION

1

Human resources development policies are expected to play a prominent role in Syria's next five-year plan (2006–10). In order to support the preparation of the plan, the State Planning Commission of Syria asked the ETF to provide technical assistance on a study about the link between investment in education and growth in employment and economic performance.

The labour market situation in Syria is characterised by a rapidly growing labour force co-existing with sluggish labour demand and deeply embedded rigidities that prevent the allocation and utilisation of labour in the best possible way. As a result, human resources are not used fully and efficiently and economic growth is less than it could be. The purpose of this study is to examine the functioning of the labour market in Syria and its implications for education and training and to analyse the weaknesses and problems that restrict employment creation and limit the effective use of the full potential of available human resources. The ultimate objective is to identify areas requiring policy action and to present recommendations that can lead to better labour force utilisation and greater economic growth.

The different sections of this report were drafted and edited by a project team that consisted of Henrik Huitfeldt, of the ETF, and consultants Jean-Pierre Jallade and Nader Kabbani. Assistance in the collection of statistics and other information has been provided by the Observatory Unit of the Syrian State Planning Commission. Valuable support and comments were also received from different departments at the Syrian State Planning Commission, the Central Bureau of Statistics, the Ministry of Social Affairs and Labour, the Ministry of Education, the Ministry of Higher Education, the Ministry of Industry and the Chamber of Commerce.

The report is organised as follows.

- **Section 2** examines the relationships between human capital and economic growth in the Syrian context.
- **Section 3** assesses the magnitude of the employment challenge in Syria and shows that it cannot be tackled unless employment growth becomes a central focus of the country's development strategy.

INVESTMENT IN EDUCATION, EMPLOYMENT AND ECONOMIC PERFORMANCE IN SYRIA

- **Section 4** describes the negative consequences of present labour market conditions on the use of educated labour.
- **Section 5** discusses the employability of graduates and the quality of education.
- Finally, **Section 6** makes suggestions for the delineating of a comprehensive employment and education policy to support the transition process towards a development model giving more consideration to efficient and productive labour force utilisation.

2. HUMAN CAPITAL AND GROWTH IN SYRIA

2

2.1 SOME DISAPPOINTING EVIDENCE

Over the past 30 years, economic growth in Syria has been based mostly on gross capital investment and labour force growth. Low, sometimes negative, growth rates in capital and labour productivity have been recorded. Total factor productivity, which measures the economic growth that cannot be accounted for by increases in the stocks of capital and labour, actually declined during the 1980s and 1990s (IMF, 2003).

In a way, total factor productivity can be seen as an approximation of the efficiency of labour, or human capital. Due to the limitations of the data, one may have reservations regarding the quantitative estimates of changes in total factor productivity. However, there is no doubt that the evidence reveals serious deficiencies in the process of growth in Syria.

Two major factors influence the impact of human capital on growth: (i) the quality of the education and training systems and the

resulting quality of human capital, and (ii) the allocation of human capital into the labour market. A major function of the labour market is to allocate human resources to their best uses. The level of efficiency in the use and allocation of human resources vary depending upon how well the labour market is functioning, and this has significant effects on employment and economic growth. The functioning of the labour market also impacts on employment and economic growth by affecting the efficiency of the human capital accumulation process through the relative opportunities and incentives for skilled and non-skilled workers. As a result, issues related to the functioning of the labour market are of the utmost importance in determining both employment and economic growth.

Recent evidence from Middle East and North African countries suggests that the relationship between investment in education and economic growth in the region has been weak (Pritchett, 1999; Makdisi et al., 2003). In these countries, rapidly increasing school and university

INVESTMENT IN EDUCATION, EMPLOYMENT AND ECONOMIC PERFORMANCE IN SYRIA

enrolments have resulted in a significant expansion of the stock and quality of human capital; economic growth has been disappointing, however, and labour productivity growth has been weak or in many cases negative. In other words, the economy-wide payoff of investments in education has been limited, largely because these economies have not been able to make effective use of the newly entering cohorts of educated workers. A functioning labour market and effective employment creation mechanisms are crucial to the success of any policy aimed at fostering economic growth through increased investment in education.

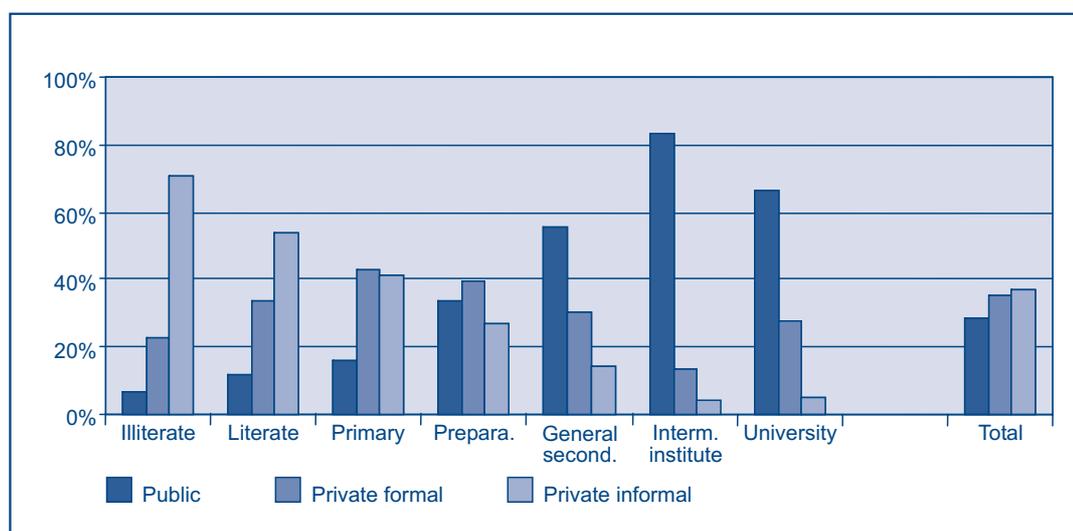
For the most part, Syria conforms to the human capital and economic growth model described above for Mediterranean partners. In the past, public policies have favoured the development of a large public sector, while the formal private sector has been subjected to tight regulations that have hindered its development. When adequate-paying job opportunities in the private sector are insufficient to accommodate the stock of educated labour, new graduates and school leavers will tend to give preference to low-productivity public sector jobs and employment opportunities abroad, or will find or create their own jobs in the informal sector. In 2003, over half those employed in the private sector were primarily engaged in informal activities (Figure 1).

The Syrian economy is thus characterised by poor use of educated labour. In 2003, 75% of the total active population with a post-secondary education (university plus intermediate institute) degree was employed in the public sector, which is characterised by overstaffing and low labour productivity. Only 20% of higher education degree holders were employed in the private formal sector. By comparison, only 20% of the active population with a secondary school degree or less was employed in the public sector.

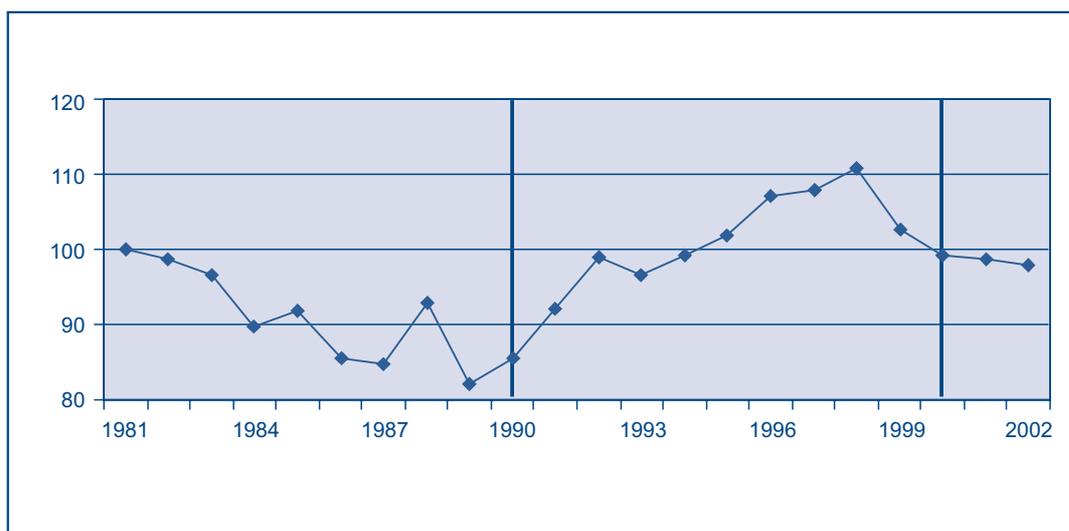
As a result of the inefficient allocation of educated workers in the labour market, progress made in increasing the quality of human resources through improvement of the education and training systems has not resulted in decisive labour productivity gains. A very rough measure of labour productivity is the change in output per worker over time. Output per worker fell by close to 15% between 1981 and 1990 and then rose back to almost 1981 levels between 1990 and 2000 (see Figure 2). In recent years, the output per worker has been declining: in 2002, the figure was less than it was 20 years before.

The inefficient use of educated labour is, therefore, a crucial issue for the current Syrian growth model. Under the present circumstances, the economy is unable to fully capture the social benefits of further investments in education. In the coming

Figure 1: Economically active population (15–64), by education and sector (2003)



Source: Syrian Central Bureau of Statistics, 2004a

Figure 2: GDP per person employed, indexed (1980=100)

Source: ILO, 2002

years, the employment prospects for school leavers and graduates are expected to worsen for various reasons. Firstly, dwindling oil reserves will put downward pressure on the country's high gross investment ratio. Secondly, retrenchment and rationalisation policies in the overstuffed public sector mean that this sector will no longer be able to provide as many jobs as in the past to school leavers and graduates.

A growth model based on gross capital investment and labour force growth is no longer tenable in the long run. The new growth model should seek to achieve significant labour productivity gains through more efficient use of labour. Given the constraints that will prevent the development of employment in the public sector, a pro-active employment strategy aimed at supporting the creation of skilled jobs in the private sector, where wages are more in line with labour productivity, is the key to a more efficient use of labour.

2.2 RETURNS TO EDUCATION

Weak, even negative growth rates in labour productivity over the past two decades indicate that the economy as a whole did not benefit from the high levels of investment in education and training that took place throughout the mid-1980s. A different but no less important issue is that of the returns to education for individuals.

Have higher levels of educational attainment paid off for Syrian workers? If the answer is no, serious concerns are raised about the quality of education provided, not simply the functioning of the labour market.

Internationally, higher educational attainment is associated with positive labour market outcomes for individuals, including higher wages and better job opportunities. The individual (private) returns to an additional year of schooling, in terms of higher wages, have been estimated at 8–15% (Card, 1999; Psacharopoulos and Patrinos, 2002; Pritchett, 1999). In a number of MEDA countries, returns to education have been estimated at between 5% and 15%, depending on the country and level of schooling (World Bank, 2004). While females tend to earn lower wages than males, the differences tend to diminish with educational attainment. As a result, private returns to education tend to be higher for females than for males.

In most developing regions, private returns to education also tend to be higher for primary education than for secondary and university education (Krueger and Lindahl, 2001). By contrast, in MEDA countries, returns to education appear to increase with the level of schooling (Psacharopoulos and Patrinos, 2002; World Bank, 2004). One explanation is that public employment plays a more important role in these

INVESTMENT IN EDUCATION, EMPLOYMENT AND ECONOMIC PERFORMANCE IN SYRIA

countries than in any other developing region (World Bank, 2004; Boudarbat, 2004). Higher returns to education for high school and university graduates may reflect government pay scales rather than improved productivity (Pritchett, 1999; Glewwe, 2002).

Low social returns to education, as discussed above, are perfectly compatible with high private returns which can fuel demand for educational services. There are a number of possible explanations for this phenomenon. Pritchett (1999) suggests that governments provide high wages and benefits to graduates without these workers necessarily contributing to higher productivity. Murphy and Salehi-Isfahani (2003) suggest that the non-transparent labour markets of the region value easily measurable credentials acquired through rote memorization and formal schooling over more productive (but less quantifiable), softer skills such as creativity and teamwork.

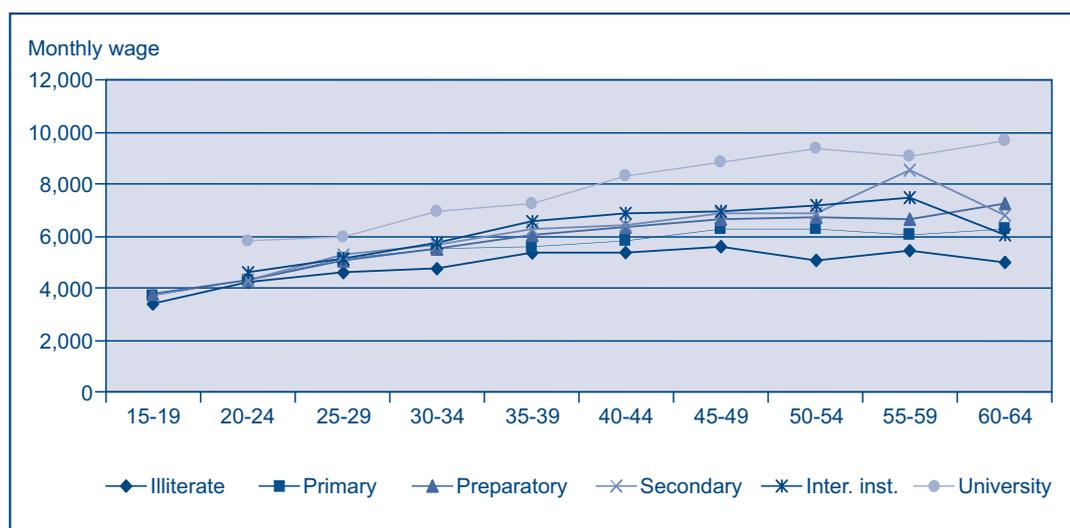
In Syria, age earnings profiles are fairly flat. Wages increase with age by, on average, 2% per year for all levels of educational attainment. Wages also increase with

educational attainment, but not by very much. Monthly wages of secondary school graduates are only 15% higher than those of illiterate workers in the 25–29 age group, rising to 38% higher in the 60–64 age group¹. Monthly wages of university graduates are only 40% higher than those of illiterate workers in the 25–29 age group, rising to 80% higher in the 60–64 age group (see Figure 3).

For a better understanding of educational outcomes, this study estimates the private returns to education in Syria using merged microdata from the 2001 and 2002 labour force surveys. The two nationally representative surveys have sample sizes of 14,411 and 18,257 households respectively and primarily include data on the demographic and employment characteristics of household members².

The rate of return to an additional year of schooling tends to increase with the level of educational attainment in both the public and private sectors (see Figure 4). Average rates of return to schooling compare wages at various levels of educational attainment to the wages of illiterate workers, who are assumed to have zero year of education.

Figure 3: Age-earnings profiles by level of education (2002)

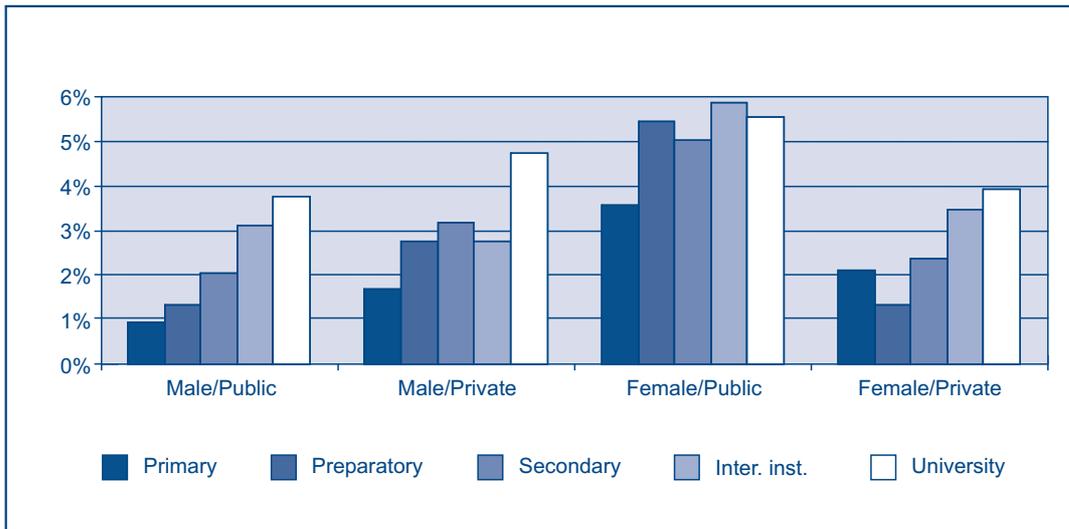


Source: Syrian Central Bureau of Statistics, 2003a

¹ This appropriately ignores the outlier of the 55–59 age group for whom monthly wages are 58% higher among secondary school completers compared to illiterate workers.

² This study estimates returns to education using the standard Mincer human capital earnings function with log hourly wages as the dependent variable, controlling for potential experience and potential experience squared. The earnings function also controls for selection bias using Heckman's two-step procedure.

Figure 4: Average rates of return to schooling by sector and gender

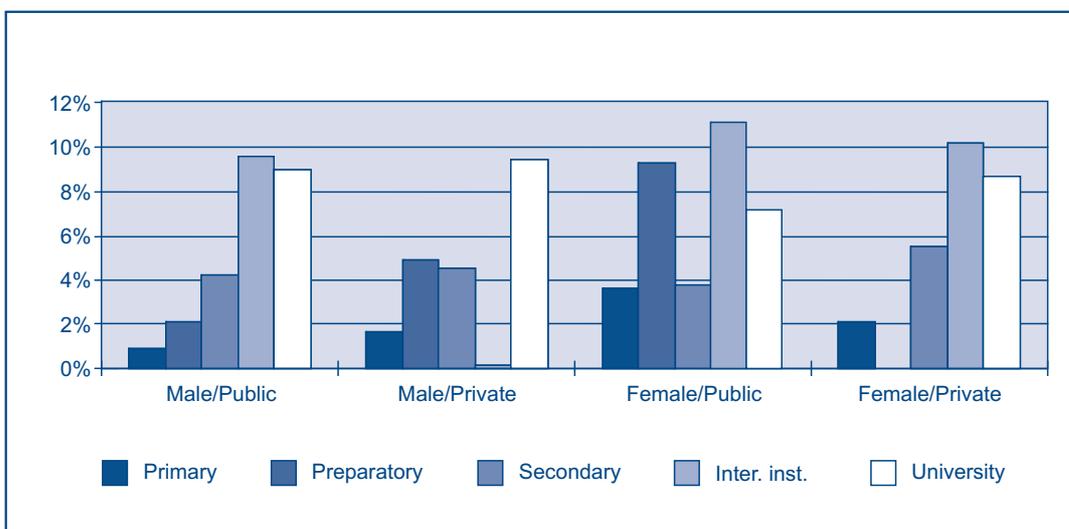


Source: Authors' calculations using data from the 2001 and 2002 labour force surveys

Average rates of return range from less than 1% per year for males with a primary education working in the public sector to nearly 6% per year for female graduates of an intermediate institute or university in the public sector. Rates of return for females are higher than for males, which is consistent with international evidence. The large differences in returns to education between females in the private and public sectors are due to larger differences between the wage rates of illiterate and literate female workers in the public sector than in the private sector.

Rates of return to education can also be presented in terms of marginal rates, which estimate the rates of return for going from one level of schooling to the next (for example, the additional returns to a high school graduate of completing college). Marginal rates of return for primary education are between 0–4%, while marginal rates of return for secondary education are around 4%; both of these rates are low by international standards implying that labour productivity is possibly low compared to other countries. The highest rates of return are for additional years of schooling beyond secondary education (see Figure 5).

Figure 5: Marginal rates of return to schooling by sector and gender



Source: Authors' calculations using data from the 2001 and 2002 labour force surveys

INVESTMENT IN EDUCATION, EMPLOYMENT AND ECONOMIC PERFORMANCE IN SYRIA

Small differences are found between the marginal returns to education for the public and the private sectors. Returns to education appear to be slightly higher in the private sector for males and higher in the public sector for females. This analysis is based on 'reported' wages and not on 'real' wages, however. For men working in the public sector, in particular, the reported private benefits of additional schooling underestimate the real benefits due to unreported earnings from non-wage benefits in the public sector and second jobs in the private sector.

One concern is that rates of return to schooling are essentially zero for male graduates of intermediate institutes in the

private sector, suggesting low levels of productivity for this group. Rates of return for females are higher, possibly because until recently only females received training in textiles manufacturing, which is a sought-after skill in the private sector. Until recently graduates of intermediate institutes were guaranteed jobs in the public sector where government-set pay scales dictate wages. As a result, over 80% of intermediate institute graduates work in the public sector. As of 2001, however, government jobs have no longer been guaranteed and male graduates will now have to search for jobs that do not necessarily match the training they have received.

3. THE EMPLOYMENT CHALLENGE IN SYRIA

3

3.1 LABOUR SUPPLY PRESSURES

Syria is currently experiencing substantial labour supply pressures from several sources. Firstly, demographic pressures have led to a large influx of young people into the workforce. Secondly, female labour force participation has been increasing, from low initial levels. Thirdly, political developments in neighbouring Lebanon have resulted in the return of many expatriate workers from that country. In addition, the emerging role of the private sector, trade agreements, and technological trends have reduced demand for labour with traditional skills and increased demand for skilled workers in specific technical occupations. These pressures have led to an excess supply of workers with skills that are not in high demand in the labour market.

Demographic pressures

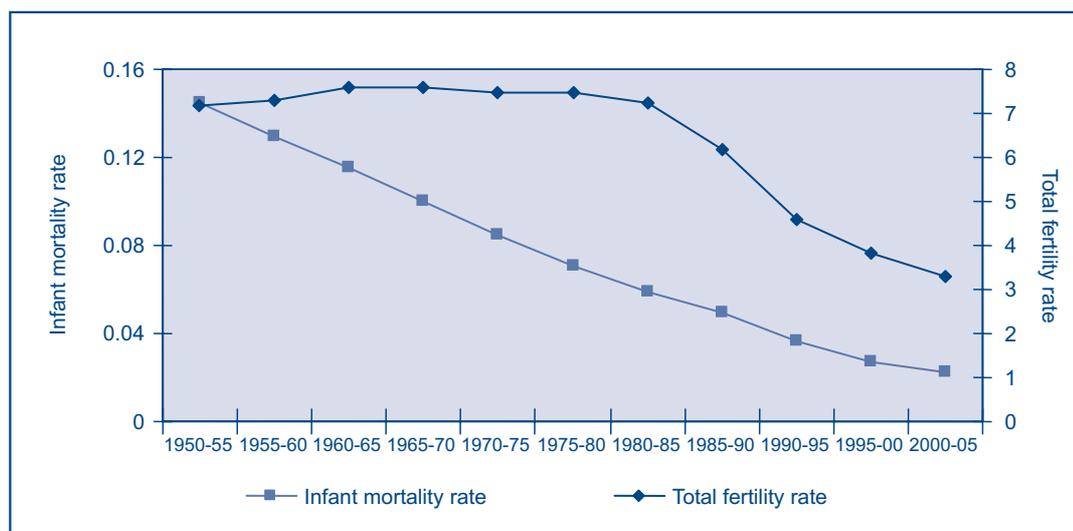
Like most other Mediterranean partners, Syria is undergoing major demographic changes. Since the early 20th century,

Syria's health and sanitation services have improved steadily; this has resulted in substantial increases in life expectancy and declines in infant mortality. Life expectancy at birth increased from 46 in 1950–55 to 72 in 2000–05. Infant mortality rates declined from 14% in 1950–55 to around 2.2% by 2000–05. At the same time, fertility rates remained constant, at over seven children per woman, until the early 1980s. Between 1985 and 2000 fertility rates dropped by over 50%, falling to 3.3 children per woman by 2000 (see Figure 6).

The timing of changes to infant mortality rates and fertility patterns led to high population growth rates of around 3.5% during the 1970s and 1980s. Population growth rates eventually declined to under 3% during the 1990s and are expected to fall to under 2.5% after 2005 (UNPD, 2004).

These demographic patterns have important implications for labour supply pressures in Syria. A wave of young people began moving through the population in the mid-1980s, with the proportion of the

Figure 6: The demographic origins of current labour supply pressures



Source: UNPD, 2004

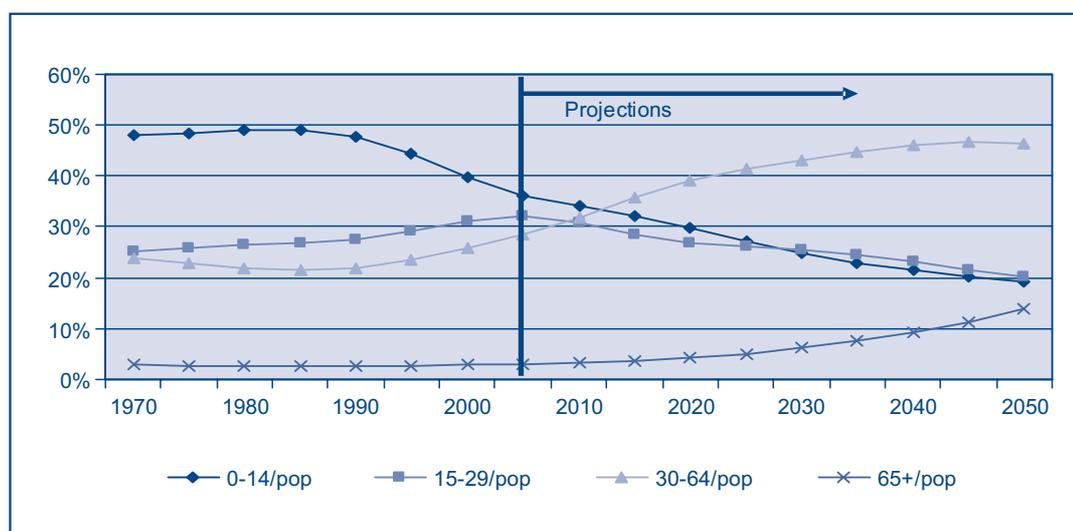
population under 14 years old increasing steadily during that period (see Figure 7). This wave moved through the 15–29 age group during the 1990s and early 2000s, and has now begun moving into mid-career.

created will continue to increase, the rate of labour force growth will, and has begun to, decline as the demographic wave moves into mid-career. In fact, labour force growth rates are expected to fall to under 3% by 2025.

High population growth rates during the 1970s and 1980s contributed to high labour force growth rates, of between 5% and 6%, during the 1990s. The labour force will continue to expand by 250,000–300,000 workers per year over the next 20 years (see Figure 8). However, while the absolute number of jobs that need to be

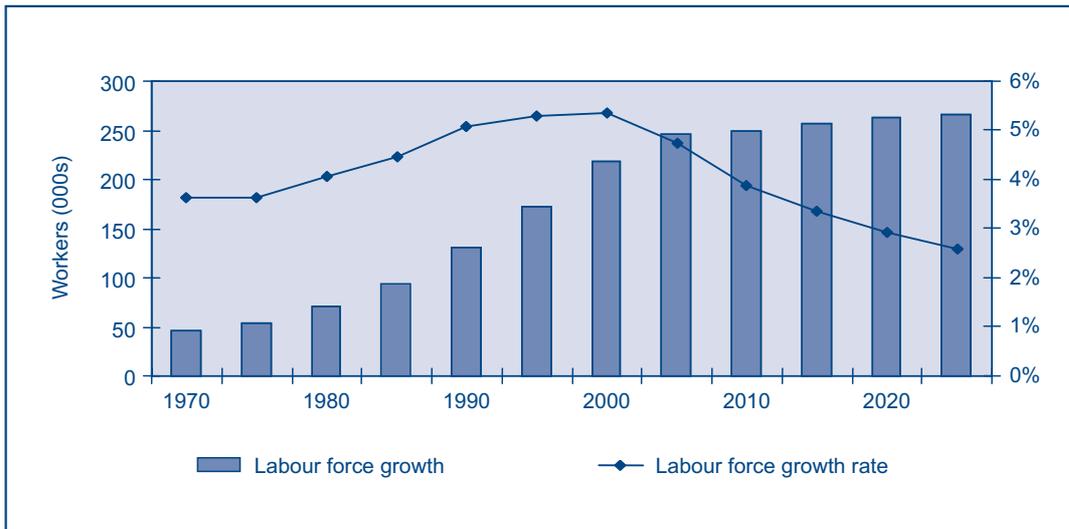
If suitable jobs are generated for the new workers entering the labour market, the dependency ratio will fall from over one dependent per working-age adult in 1990 to under 0.5 dependents per working-age adult by 2025 as the demographic wave of workers moves into mid-career (UNPD, 2004). This means that each working-age

Figure 7: Demographic trends – Age groups as a proportion of the population



Source: UNPD, 2004; Kabbani and Tzannatos, 2005

Figure 8: Projections of labour force growth through 2025



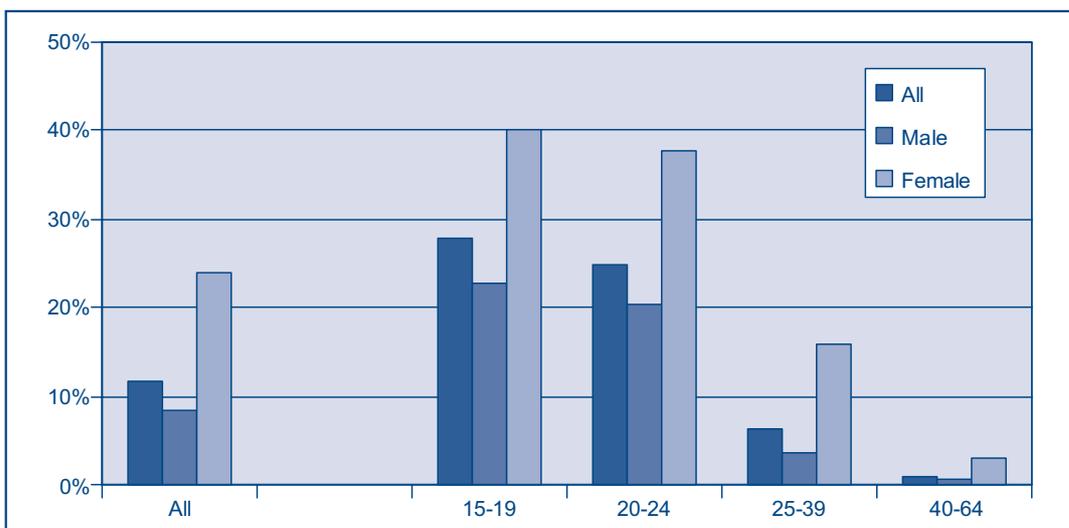
Source: Kabbani and Tzannatos, 2005, using UNPD, 2004, and ILO, 2002

adult will have fewer dependents (those younger than 15 or older than 64 years of age) to care for, allowing for higher rates of savings and faster economic growth. In order to take advantage of this demographic ‘window of opportunity’, however, the Syrian economy must find a way to absorb the incoming cohorts over the coming decade.

Achieving this may not be easy. The current demographic pressures have contributed to high unemployment rates

among young workers in Syria. The unemployment rate stood at 28% among 15–19 year-olds and 25% among 20–24 year-olds in 2002 (see Figure 9). These unemployment rates were around four times higher than those found in the 24–39 age group, which in turn featured far higher unemployment rates than the 1% found among 40–64 year-olds. These figures suggest that few workers are unemployed as a result of mid-career job transitions and that most unemployment is concentrated among young labour market entrants.

Figure 9: Unemployment rates by age group (2002)



Source: Syrian Central Bureau of Statistics, 2003a

Female labour force participation trends

Like other countries in the Mediterranean region, Syria has some of the lowest female labour force participation rates in the world, estimated at 23% in 2002. Female participation rates have been increasing across all age groups (see Figure 10), however, with the largest increases occurring among younger women. By comparison, labour force participation rates for males only increased significantly among the 15–24 age group. This may reflect declining secondary school enrolment rates, especially for males, between the mid-1980s and early 2000s (discussed below).

Around 15% of the labour force growth of the 1990s can be attributed to higher female labour force participation rates (Kabbani and Tzannatos, 2005). If current trends continue, rising female participation rates will contribute around 0.6–0.8 percentage points annually to projected labour force growth rates over the coming 20 years. Thus, while higher female labour force participation rates have contributed to current labour supply pressures, they play a smaller role than demographic pressures.

Even though rising female labour force participation rates exert relatively minor pressures on the labour market as a whole, female workers tend to work in specific

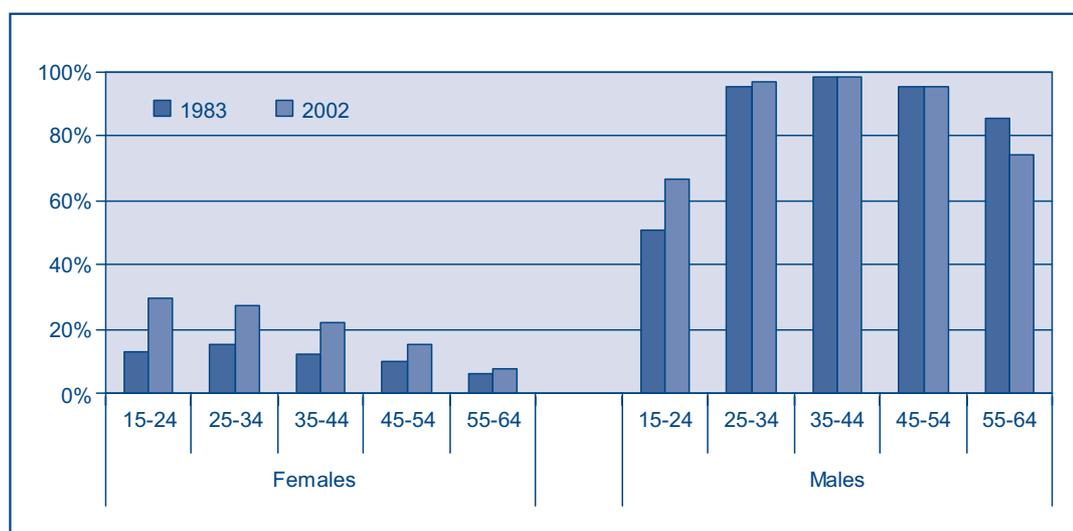
industries and occupations and higher participation rates have a more noticeable effect in these segments of the labour market. Unemployment rates among females were nearly three times higher than among males in 2002, with significant differences maintained across age groups (see Figure 9). There are several possible contributing factors to these differences, including increases in labour force participation rates.

Return migration pressures

International migration plays an important role in relieving labour supply pressures in the Syrian economy. Data on international migration are extremely sketchy, but general patterns can be discerned. Neighbouring Lebanon is a major destination for Syrian workers, especially those who are less educated – an estimated 80% of Syrian workers in Lebanon have six years of schooling or less (Syria Report, 2005). Most Syrian workers in Lebanon are seasonal and work only a few months of the year. An estimated 45% of Syrian workers in Lebanon work in the construction sector (Syria Report, 2005). Other sectors include hotels and restaurants, and agriculture. Most Syrian workers in Lebanon do not have work permits.

In early 2005, estimates of the number of Syrians working in Lebanon during a given

Figure 10: Labour force participation rates by gender and age group (1983 and 2002)



Source: ILO, 2004

year ranged from 350,000 to 1 million, with consensus estimates at around 500,000. Nonetheless, this represents a substantial decline, possibly of around 40% since the peak years of Lebanon's post-war reconstruction boom during the mid-1990s.

The number of Syrian workers in Lebanon fell even further after the political developments surrounding the assassination of former Prime Minister Rafik Hariri, in February 2005. If the situation does not normalise, returning Syrian expatriate workers will place additional and immediate pressures on the local labour market. Rather than trying to mitigate this increase in the supply of low-skilled workers, the Syrian government has made it more costly for those continuing to work in Lebanon. In September 2005, the government increased the boarder-crossing fee for Syrians from 200 Syrian pounds (SYP) to SYP 800 (€14), a substantial sum for low-wage workers.

Oil-rich gulf countries represent a major destination for educated and skilled Syrian workers, followed by Europe and North America. Latin American countries are also popular attracting workers with relatively low skills. Specific numbers are difficult to come by, however.

An estimated 4,000 Syrian students travel abroad each year to continue their education. A fair proportion (estimated at one half) remain abroad to work. These expatriate workers relieve some of the labour supply pressures on Syria and provide the Syrian economy with valuable hard currency through remittances. However, these workers also represent a lost opportunity to fully utilise and benefit from the human capital resources of the country. Many would return to work if better job opportunities and a more supportive business environment were to exist.

3.2 THE CHANGING STRUCTURE OF LABOUR DEMAND

The stagnation of public sector employment

The Syrian government has played a dominant role in the country's economy for decades, in terms of employment and spending, and regulating the private sector. Around 24% of the civilian labour force worked in the public sector in 2002, both in government agencies and in public sector enterprises. Nearly 75% of public sector workers were in government administration and the provision of public goods and services in 2002. Close to 10% were in manufacturing, with 7% in construction, and 4% in transportation (Syrian Central Bureau of Statistics, 2003a).

The Syrian government is slowly moving away from a model that relies heavily on the public sector accommodating and employing Syrian workers. This move began in the early 1990s, when the government ceased its requirement of a mandatory five years of public service for young university graduates. More recently, the government has removed employment guarantees for graduates of specific intermediate institutes. There are strong indications that the government is considering limiting the expansion of employment in the public sector, closing some loss-making public enterprises and corporatising others. There will still be job opportunities available in the public sector due to natural attrition and turnover, but the public sector is not expected to play a major role in cushioning the impact of the high labour supply growth rates.

To obtain employment in the public sector, an individual must first register with a government employment office and obtain a number indicating his or her place in line. This system ostensibly helps the government allocate scarce public sector jobs. In reality, however, personal connections are often used. An official letter from the administrator of a particular public agency or enterprise is all that is needed to secure a job. Thus, while some people wait two years or longer for a job in

INVESTMENT IN EDUCATION, EMPLOYMENT AND ECONOMIC PERFORMANCE IN SYRIA

the public sector, others obtain employment almost immediately after registering with the employment office. This situation has important implications for the efficiency of the labour market matching process. Those with contacts in specific agencies are often not those with the best qualifications for the job.

For higher-skilled positions, applicants must take an entrance exam in addition to registering with the employment office. Job applicants are then ranked based on their performance. The exam system has been criticised for not testing the skills, knowledge and abilities required for the particular posts being advertised, however. This too has adverse implications for labour matching efficiency.

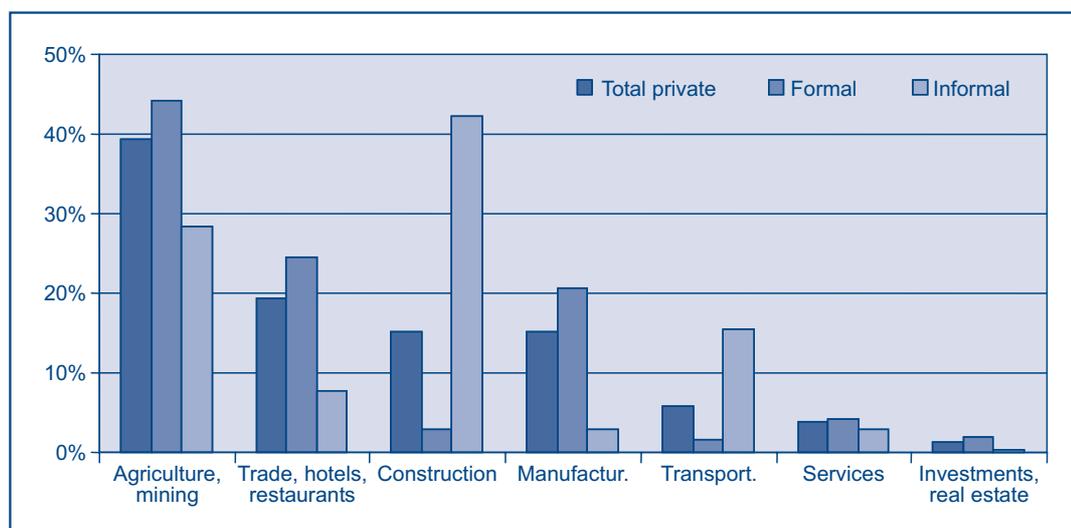
The employment potential of the private sector

If the government follows through on its planned paradigm shift away from a public sector-led employment model, it will be left up to the private sector to generate the jobs needed to absorb the incoming cohorts of new workers. Indeed, the Syrian government openly argues this point and has recently enacted a number of laws and regulations providing incentives aimed at making it easier for private sector companies to enter and expand in the market.

There is surely potential for strong employment growth in the private sector. In 2002, nearly 40% of workers in the private sector were involved in agriculture, hunting or mining. Nearly 20% were involved in trade, hotels and restaurants, and around 15% were involved in construction. Only 15% were employed in manufacturing and less than 4% were employed in services (see Figure 11).

A cursory examination of employment trends suggests that there is much room for expansion of manufacturing and services. In recent years, capital invested in private sector projects has primarily gone to the food and chemical sectors, which includes cleaning supplies and detergents. Projects involving more export-oriented industries, such as textiles and engineering (including appliances), have received less investment capital (see Figure 12). This focus on a few industries, primarily in the consumer goods sectors, was partly the result of limits set by the government. Until recently, around 140 industries were closed off to private sector investment. Examples include industries with traditional state-run monopolies – electricity, oil, water – but also industries that are traditionally run by private companies – television production, tobacco, banking, and secondary and university education.

Figure 11: Employment in the private sector by economic activity (2002)



Source: Syrian Central Bureau of Statistics, 2003a

3. THE EMPLOYMENT CHALLENGE IN SYRIA

In 2000, the Syrian government changed its policies and allowed the private sector to enter most industries. As a result, private banks, schools, and universities have received licences and have begun operating. Other licences have been granted or are under consideration by the Ministry of Industry, including automobile and television production. Several industries still remain closed to the private sector, however – these include bottled water, oil, tobacco, wall-to-wall and wool carpets, ginning and pressing cotton, and spinning cotton thread. Allowing the private sector to enter these industries will help Syria become more competitive in the global economy, especially in the textile sector.

Growth of the informal sector

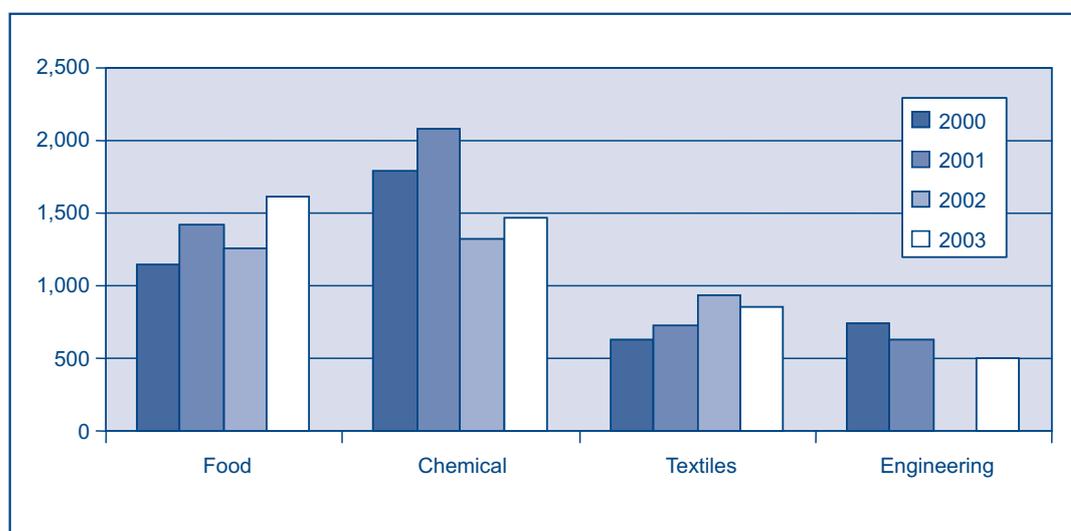
Based on the 2003 Labour Force Survey, 35% of the civilian workforce is found in the formal private sector and 37% of the workforce in the informal sector. However, estimates of the size of the two sectors differ widely across the 2001, 2002 and 2003 surveys, suggesting that the survey instruments have adopted definitions of 'formal' and 'informal' that have resulted in inconsistent responses and this has made it difficult to judge the true size of the informal sector. Still, data from the 2002 Labour Force Survey suggests some differences in the composition of economic activities performed in the formal and

informal sectors. Workers in the formal sector are more likely to be engaged in manufacturing and trade. Workers in the informal sector are more likely to be in construction and transportation (see Figure 11).

In practice, the distinction between the two sectors is often blurred. Companies that are licensed through the Ministry of Industry are considered part of the formal sector. These include large private companies. Most self-employed street vendors are not registered and are thus part of the informal economy. The distinction becomes difficult with respect to the many small-trade shop and light manufacturing firms, some of which choose to register and others not, the latter simply to avoid bureaucratic hassles and paying taxes. This is not unusual; even large companies try to avoid registering some of their workers in order to save money on payroll taxes. In some newly developing sectors, especially those facilitated by the expansion of information technologies, firms are not able to register even if they want to because laws have not yet been developed. Such firms include those involved in career services, test preparations, and some educational and financial services.

In the industrial sector, laws are fully developed and unregistered firms remain in the informal economy by choice.

Figure 12: Capital invested in private sector projects by main sector



Source: Syrian Central Bureau of Statistics, statistical abstracts 2001–04

INVESTMENT IN EDUCATION, EMPLOYMENT AND ECONOMIC PERFORMANCE IN SYRIA

Unregistered small firms in the industrial sector range from simple shops to technologically sophisticated manufacturing enterprises that are small enough to escape government notice. Indeed, firms in the informal sector try to remain small so as not to attract government attention. If such companies were given the opportunity to grow, many would expand their businesses and hire more workers. The informal sector is thus a potentially important engine of employment growth. The Syrian government should remove obstacles and develop incentives to entice these firms to join the formal economy.

One way to achieve this is to make it easier for firms to obtain a commercial licence – not always a simple task in Syria. Industrial companies are able to register under one of two laws. Law 47 covers ‘crafts’ firms with fewer than nine employees, while Law 21 governs most medium-sized and large companies. Registrations under Law 21 are submitted to the Ministry of Industry and must be reviewed and approved by a registration committee of representatives from several ministries. In order to obtain a licence, companies registering under Law 21 must commit to adding value of at least 40% to their final products. Other conditions may also be added by the registration committee.

To encourage private sector investment, the government introduced Investment Law 10 in 1991, which provides tax incentives for large projects that register under Law 21 (around 10% of the projects seeking exemptions under Law 10 are non-industrial projects and must obtain a licence under laws other than Law 21). Investment Law 10 has been modified several times, most recently in 2000. The new changes provide additional incentives for firms that locate in less-industrialized regions of the country, firms in export industries, and firms that hire large numbers of workers. Companies applying for exemptions under Law 10 must meet additional requirements (such as making large capital deposits) and must submit a proposal (complete with feasibility study) to the Prime Minister’s Office. The approved proposal then goes to the Ministry of Industry for final action.

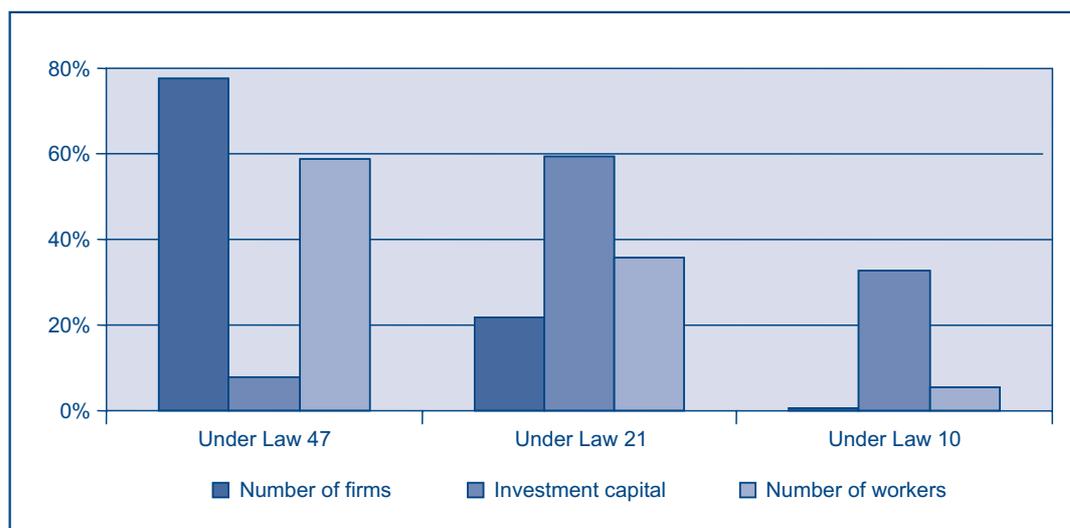
While registration is simple under Law 47, it can be complicated under Laws 21 and 10 – and additional obstacles occur after registration. Once a company is licensed, it must maintain its registration and complete annual tax forms and interviews with the Ministry of Finance. The procedures involved can take several days each year, a significant burden on a small company. Registration also invites visits by representatives from the local municipality, police and other groups seeking payments for various fees. In addition, arbitrary corporate tax assessments by tax collectors lead firms to take steps to evade their full tax burden. Most of these problems can be avoided by not registering with the government. As a result, the informal sector in Syria is large and possibly growing.

The potential of small firms to contribute to employment growth in Syria is easy to see. In 2004, of the private sector firms registered with the Ministry of Industry, the largest proportion was registered under Law 47, followed by those registered under Law 21 (see Figure 13). In terms of employment, the number of workers in firms registered under Law 47 represented 60% of the total registered workforce in the formal private sector. To the extent that firms in the informal sector most closely resemble small firms registered under Law 47, it then becomes clear that the government needs to create a healthy business environment to allow small firms to flourish and grow and to encourage unregistered firms to join the formal sector.

The wage structure in Syria

Wages in Syria are low, ranging from an average of SYP 4,500 (€75) per month for a worker with little or no education to around SYP 8,000 (€130) per month for workers with university degrees. Many workers must therefore rely on additional sources of income to make ends meet, such as having a second job.

Wages in the private sector are not regulated by salary scales as they are in the public sector, and thus exhibit more variation. For lower education levels, wages in the public sector tend to be

Figure 13: Share of total firms, investment capital and workers, by law (2004)

Source: Ministry of Industry, internal memorandum

higher or on a par with wages in the private sector. After preparatory school, however, wages in the private sector tend to be higher, reaching a 30% difference among university graduates. In 2001, 5% of full-time public sector workers with a university degree earned SYP 10,000 (€160) or more per month in their main job.

By contrast, 22% of full-time private sector workers with a university degree earned SYP 10,000 or more per month in the same year. Differences were smaller in subsequent years, after the government raised public sector wages.

Syria has several different minimum wage levels. The government sets unique minimum wage levels for every type of occupation and geographical location. This system reflects the strong central-planning tendencies of the government. The basic standard minimum wage for unskilled workers was raised to SYP 3,500 (€60) per month in the private sector and SYP 3,810 in the public sector in 2004. In fact, the value of the minimum wage nearly doubled between 1999 and 2004 for private sector employees in urban areas and increased by more than 80% for public sector employees and private sector employees in rural areas (see Table 1).

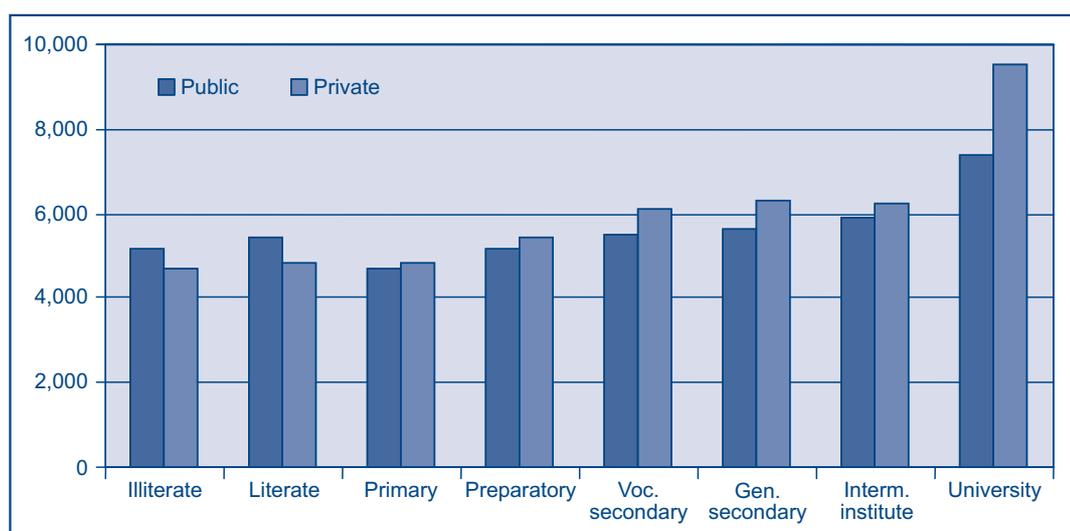
Table 1: Minimum wage levels, 1989–2005 (SYP)

Years	Private sector		Public sector
	Urban	Rural	
1989–90	1,100	1,190	1,300
1991–94	1,375	1,490	1,625
1995–99	1,790	1,940	2,115
2000–01	2,237	2,425	2,645
2002–03	2,684		3,175
2004–05	3,500		3,810

Source: Ministry of Social Affairs and Labour, personal communication

Prior to 2000, the minimum wage was set so low that it was effectively non-binding. The most recent increase to SYP 3,500 was potentially binding for between 12% and 23% of the private sector work force (see Table 2). There is evidence that many employers in the private sector do follow government-set minimum wage scales. In 2001, over 11% of full-time private sector employees earned less than SYP 2,700 per month. When the minimum wage was increased to SYP 2,684 per month in 2002, only 5.8% of full-time private sector workers earned less than this amount.

Figure 14: Monthly wages (SYP) by educational attainment and sector (2001/02)



Source: Authors' calculations based on merged 2001/02 labour force survey data

Compliance may have increased in 2003, but wage data were not collected in that year's survey.

Table 1 only presents information on the minimum wage levels for unskilled workers. However, the Syrian government also sets different levels for different occupations and geographical locations. Thus, the entire wage distribution may be influenced by an increase in the minimum wage.

Table 2: Monthly wage distribution of full-time private sector employees (%)

	2001	2002
Less than SYP 1,700	2.6	1.6
SYP 1,800–2,200	4.8	2.2
SYP 2,300–2,600	3.8	1.8
SYP 2,700–3,400	12.2	6.4
SYP 3,500–3,900	5.6	4.4
SYP 4,000–4,400	17.7	11.5
SYP 4,500 and above	53.3	72.1

Source: Syrian Central Bureau of Statistics, 2002a and 2003a

The current minimum wage level of SYP 3,500 per month for full-time workers in the private sector translates into around €2 per worker per day. For families with at least one non-working person, this is lower than the international poverty threshold.

Poverty is therefore a real problem in Syria. Indeed, a recent report by the United Nations Development Programme (UNDP) suggests that the poverty rate in Syria, based on the standard US\$2 per day, was 10.4% in 2003/04. Using a set of expenditure poverty lines instead of the US\$2 poverty threshold, the report estimated the poverty rate at 11.4% in 2003/04 (UNDP, 2005).

Labour market regulations

Workers in Syria are covered under several labour laws that tend to deal separately with public sector and private sector employees. Many labour laws are circumvented or ignored, especially in the private informal sector. For example, one reason for not registering a company with the government is to avoid paying social security fees. This is not to say that workers in the informal sector do not receive these benefits; many transactions do take place outside the government-controlled system.

Labour dismissal in Syria can be a cumbersome process. Officially, a committee for dismissal affairs with representatives from the Ministry of Labour and Social Affairs and the municipal governorate and trade union of the city where the job is held, must be formed to decide on dismissals (Syrian Central Bureau of Statistics, 2003a).

3. THE EMPLOYMENT CHALLENGE IN SYRIA

In practice, as a way of avoiding the bureaucracy involved, many private sector employers offer severance pay to laid-off workers and/or require job applicants to sign resignation letters before they sign their employment contracts. Employees can still choose to take their case to a dismissal committee, however, and dismissals are therefore rare. Indeed, the low proportion of workers with prior experience among the unemployed suggests that most workers are not laid off once hired by a firm.

This system may have had some unexpected outcomes. While, ostensibly, private sector firms require employees to sign undated resignation letters at the start of their employment in order to facilitate the dismissal process, in reality many firms use these resignation letters in case of worker injury on the job to suggest that the worker was not employed by the firm at the time of injury. Thus, while injured workers in Syria are entitled to benefits, many in fact do not receive them.

The Syrian government, realising that the current labour law is not working as intended and is contributing to an adverse investment climate, is in the process of reforming the law and significantly reducing the restrictions and procedures involved in dismissals.

Policies for combating unemployment

The Syrian government has identified employment issues as a national priority and has initiated an intensive labour market data collection effort, including annual labour force surveys. In addition, the Syrian government has been reforming laws and regulations to make it easier for the private sector to invest and expand its activities in the country. If successful, these laws will help increase labour demand and reduce unemployment.

The Syrian government has established an Agency for Combating Unemployment (ACU) with the goal of spending US\$1,000 million for job creation activities between 2002 and 2007. The main activity of the ACU is the provision of small loans (between US\$2,000 and US\$60,000) to SMEs, selected on the basis of feasibility studies, and micro-enterprise loans (less than US\$2,000) for low-income families. The ACU also has a public works and housing programme to create temporary and permanent employment while improving infrastructure and living standards. Finally, the ACU provides funding for the training of unemployed workers. After their training, workers are matched with employers in the private sector or apply for a loan through the ACU.

4. THE RELATIONSHIP BETWEEN EDUCATION AND EMPLOYMENT: UNRESOLVED ISSUES

4

Education and training can be considered either as a consumption good financed out of public funds, or as an investment providing economic and social returns at both the individual and social levels. In recent years, investments have been made in Syria to improve the capacity of the education and training system, but there is increasing evidence that the returns to this investment have been disappointing due to adverse labour market conditions.

4.1 SCHOOL LEAVERS, UNEMPLOYMENT AND THE TRANSITION FROM EDUCATION TO WORK

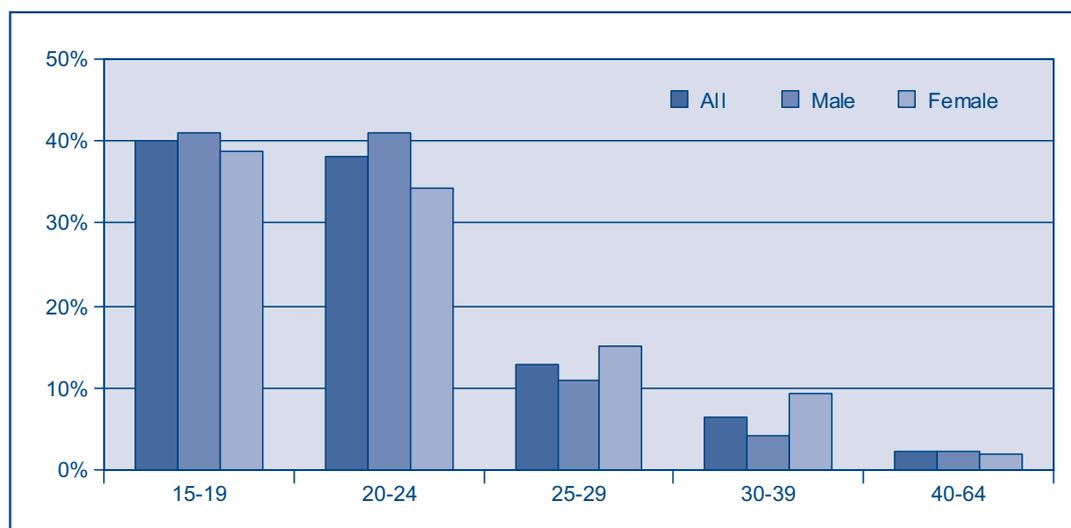
Unemployment in Syria is very much a labour market insertion problem, mainly concerning young people. In 2002, young workers aged 15–24 represented almost 80% of the unemployed population (see Figure 15). The situation is similar for males and females. However, relatively more females between the ages of 25 and

39 are unemployed compared to males, probably because the former are more likely to leave and re-enter the labour force for family reasons.

Unemployment rates in Syria do not decrease among workers with higher levels of educational attainment except at the university level for males and at the university and intermediate institute levels for females (see Figure 16). In the absence of a public social safety net, most workers without education or with only basic education have no other option than to accept low-paying jobs in the private sector. At the other end of the spectrum, some educated youth prefer to wait for jobs in the formal and public sectors that offer better wages and more generous non-wage benefits.

The relatively low unemployment rates of both male and female university graduates are encouraging, but they should be assessed with caution – there is much evidence that many are underemployed in

Figure 15: The share of unemployed people by age (2002)



Source: Syrian Central Bureau of Statistics, 2003a

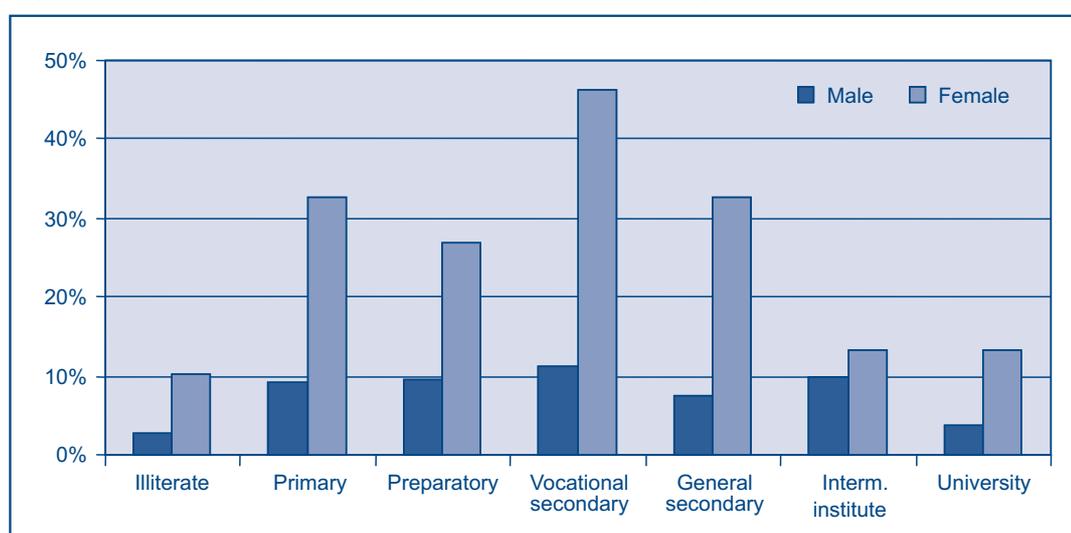
jobs that do not require university skills, and many Syrian graduates emigrate to find jobs abroad that are not available in Syria. High unemployment rates for people with vocational secondary education, especially women, should be a matter of much concern and are a problem that illustrates the inefficient use of educated labour prevalent in the Syrian labour market.

Women experience higher unemployment rates than men across all levels of education (see Figure 16). This indicates a higher turnover and/or longer wait times for young female jobseekers, with the

exception of those with intermediate institute qualifications. To a large extent, women graduate from these institutes in the health and education professions where the transition from education to jobs in the public sector is more straightforward.

An analysis of unemployment rates by year after graduation shows that they decrease rapidly with age, especially for university graduates. The unemployment rate decreases to 20% within three years of graduation for university graduates, six years for intermediate institutes, and ten years for those in secondary education (see Figure 17).

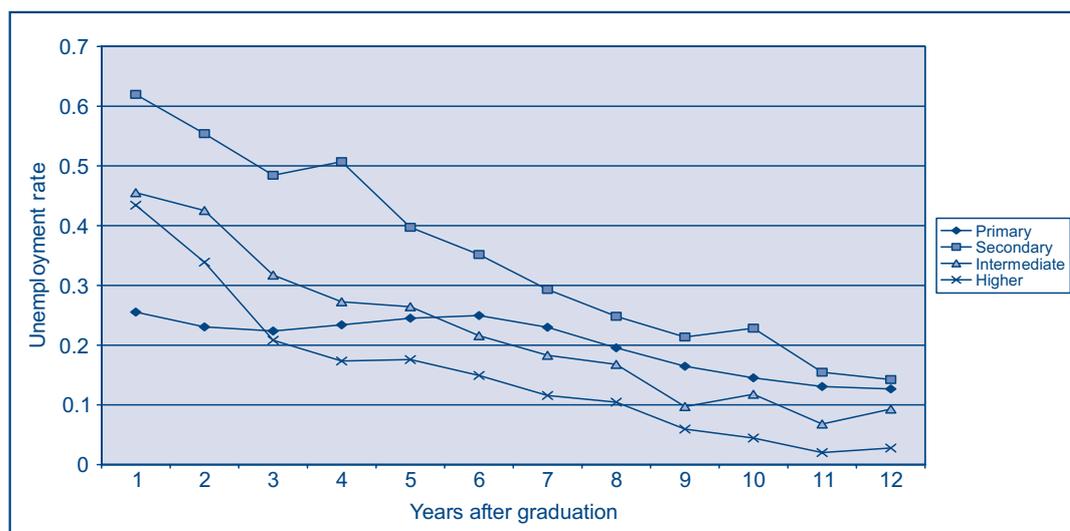
Figure 16: Unemployment rate by education level and gender (2002)



Source: Syrian Central Bureau of Statistics, 2003a

4. THE RELATIONSHIP BETWEEN EDUCATION AND EMPLOYMENT: UNRESOLVED ISSUES

Figure 17: Unemployment rate by year after graduation



Source: Authors' calculations using data from the 2001 and 2002 labour force surveys

Note: The figure shows the average unemployment rate for individuals at different years after graduation. To calculate this, expected ages of graduation of 15 years for primary education graduates, 18 years for secondary education, 20 years for intermediate institutes, and 23 years for university graduates are used.

Many unemployed workers are queuing for public sector jobs, and queuing times decrease with the level of education. In this public sector model, hiring decisions are often based on rankings in the labour market queue, and one's place in the queue depends on one's level of education. As a result, higher levels of educational attainment are sought, not necessarily because of higher wages but because of higher chances of obtaining employment and shorter wait times, especially for public sector jobs.

4.2 VET DIPLOMAS AND EMPLOYMENT

The rationale for developing a strong technical/vocational (VET) route within secondary education is that VET diploma holders are more employable than general education diploma holders. This is true for Syria, but represents only part of the story. The share of employed persons with vocational secondary education among the working-age population is higher than the share for those with lower levels of educational attainment, especially females, and is indeed also higher than the share for general secondary completers. However, general secondary school completers are more likely to remain in school and continue on to higher levels of education. Employment levels among vocational

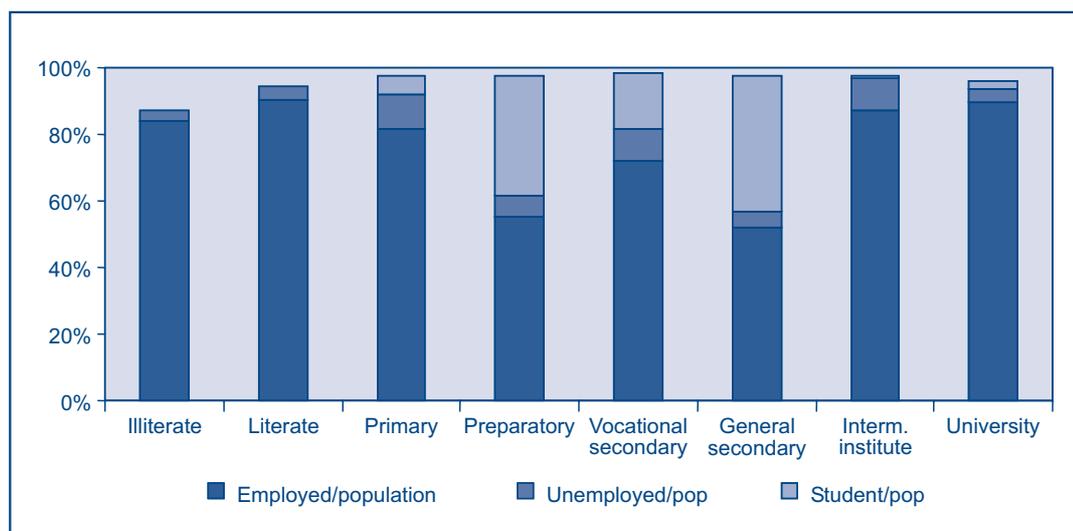
secondary completers are, in turn, much lower than those found among intermediate institutes and university graduates, especially for females (see Figures 18 and 19).

Another cause for concern is the limited presence of vocational secondary school diploma holders on the Syrian labour market. According to the 2002 Labour Force Survey there were only 81,000 such individuals (1.7% of the total labour force) as compared to 290,000 general secondary diploma holders (6% of the labour force). These figures are not in line with the high share of preparatory school leavers enrolled in VET secondary schools. They reflect the low internal efficiency of VET secondary schools which are characterised by rising enrolments, but high dropout and low graduation rates.

Another reason for this discrepancy might be that a large proportion of secondary VET diploma holders continue their studies in intermediate institutes, either because their diplomas are not recognised as relevant by employers or to increase their chances of getting better jobs.

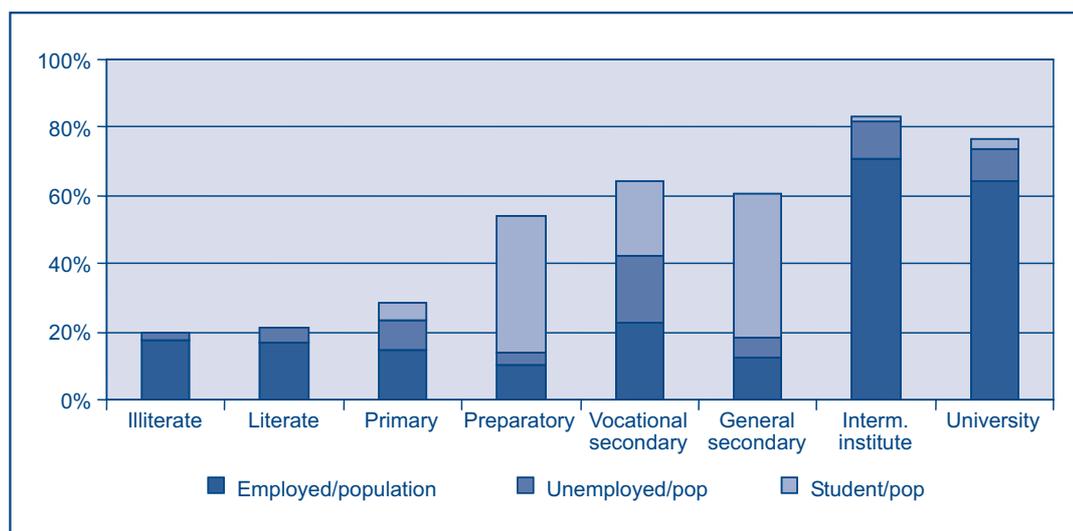
In any case, these figures cast some doubt on the actual visibility and credibility of secondary VET diplomas which do not seem to be considered as significant entry points into the Syrian labour market.

Figure 18: Employment status by education, males aged 15–64 (2002)



Source: Syrian Central Bureau of Statistics, 2003a

Figure 19: Employment status by education, females aged 15–64 (2002)



Source: Syrian Central Bureau of Statistics, 2003a

In recent years, the Ministry of Education has made significant efforts to increase the quality and relevance of secondary technical education. This has included:

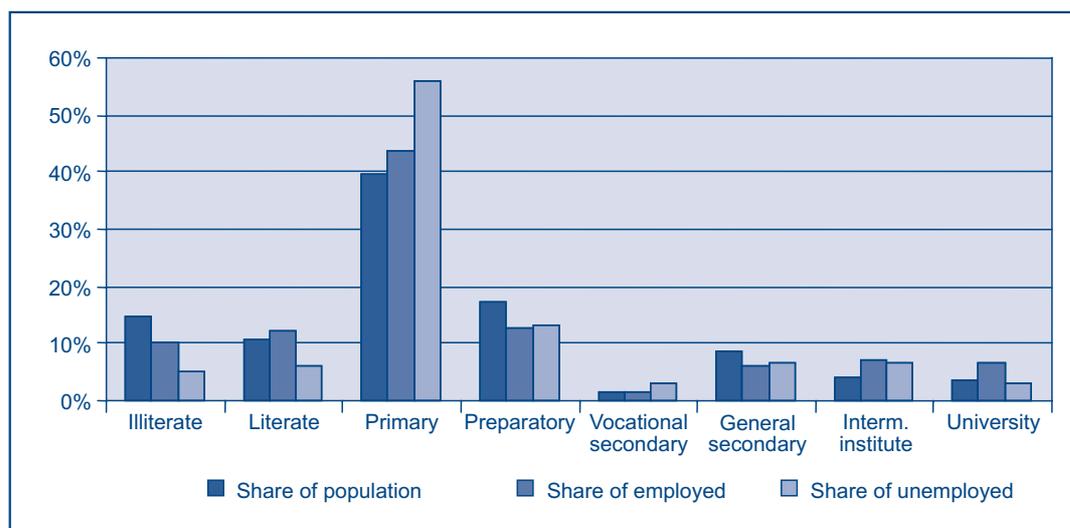
- decreasing the proportion of students entering VET from 70% of preparatory school leavers to 40% over the past five years, to reduce overcrowding in VET schools and increase quality. In Syria, as in almost every country, the VET route is regarded as a second-class choice for preparatory school leavers who did not get high enough grades to enter general secondary education. The above-mentioned change in the ratio of general education to VET was achieved

- by decreasing the grade level required to enter general secondary education;
- increasing in-company training by promoting VET schools with dual system arrangements;
- introducing new high-skills training courses in computing and electronics, which have received considerable interest from preparatory school completers.

These efforts could go a long way towards increasing the employability of VET diploma holders in a context of employment growth and strong demand for skilled labour, but they will yield only mixed results in a context of reducing unemployment and

4. THE RELATIONSHIP BETWEEN EDUCATION AND EMPLOYMENT: UNRESOLVED ISSUES

Figure 20: Share of total employed and unemployed populations by education (2002)



Source: Syrian Central Bureau of Statistics, 2003a

underemployment. The danger is that VET diplomas will not be judged by employers in terms of their intrinsic value and will not be given the significant employability premium expected by the public authorities, as compared with general secondary education diplomas.

4.3 HIRING PRACTICES IN THE PUBLIC AND THE PRIVATE SECTORS

A permanent and growing surplus of unemployed, mostly young, school-leavers has triggered an artificial and unhealthy stiffening of hiring practices in both the public and private sectors. In the public sector, graduates and school leavers are queuing for jobs in ministries and public companies, and recruitment decisions are based on diplomas and grades obtained and not on a match between applicants' qualifications and the requirements of the job in question.

In the private sector, companies are encouraged to exaggerate their qualification requirements and set artificially high barriers, such as that 'no one can enter without completing their [terminal] secondary school baccalaureate exam', that have little to do with the quality of education received or with actual job content or expected labour productivity. In a context of a surplus of educated labour, university graduates tend to displace baccalaureate

holders even for seasonal jobs, thus encouraging students to seek higher-level diplomas to increase their chances of obtaining a job.

The labour queue situation is perfectly understood by students and their families, triggering an endless race for more education credentials. What has sometimes been called the 'diploma disease' syndrome is setting in.

To sum up, the lack of jobs in the formal sector to accommodate all school leavers has several unfortunate consequences for the education and training system.

- The content, quality and relevance of diplomas are disregarded by employers who use diplomas (together with grades) as screening devices to rank applicants.
- Initial education diplomas are the only mode of skill acquisition. All other forms of training and competence acquisition are disregarded by employers and society as a whole.
- The size of the queues for scarce jobs among school leavers and graduates encourages recourse to family and social connections to advance in the labour queue and get access to jobs.

All these factors prevent the recognition of 'true' competences and qualifications for the allocation of educated personnel in the labour market, thus contributing to the low effectiveness of investment in education.

4.4 THE PUBLIC SECTOR EMPLOYMENT MODEL

Preference for public sector employment is prevalent throughout the Syrian society. It was strengthened by the earlier practice of mandatory recruitment, in which university graduates from specified institutions had an automatic right to employment in the public sector (specific ministries), whether or not there were vacancies fitting the applicants' qualifications.

In the Syrian public sector, workers are categorised into five categories set centrally by government regulations. Recruitment policies establish a rigid link between these categories and the required levels of educational attainment of applicants. The wage structure does not relate to job content, but to educational qualifications. This practice cannot guarantee job performance.

Overstaffing is sometimes estimated at 30% to 50% of the labour force (ISMF, 2005). Rigidities of all kinds prevent the efficient use of staff. Short effective working time in public sector jobs is common practice, thus enabling many public sector workers to hold a formal or informal second job in the private sector; this is a phenomenon that is not well represented by official statistics. Public sector employees often take a second job to supplement low public salaries and social acceptance of this phenomenon is high.

Wages are not high but non-wage benefits attached to public sector jobs are substantial. Some are official (job security, better health and retirement benefits); others such as short effective working time and the possibility of holding a second job, are not, but are nonetheless important. The overall wage structure is compressed and wage differences among people with different levels of educational attainment are narrow.

The negative effects of this public sector employment model are not always fully

taken into consideration by employment and labour market policies. Firstly, low wages and wage rigidities in the public sector prevent adequate compensation of key qualified personnel and have a negative effect on performance and morale.

Secondly, public sector workers are encouraged to seek adequate financial rewards through a second job in the private sector. The negative consequences of multiple job holdings on the functioning of the labour market at the macro level are immense (and not well documented). This practice casts serious doubts on actual as opposed to reported employment statistics in the private sector, as many people do not report their second job and it provides a strong incentive to create jobs in the informal sector of the economy.

Thirdly, the situation does not encourage ministries and public companies to adopt efficient human resources management practices. Fourth, although salaries are low, the large number of public sector employees contributes to high labour costs, a situation that is not tenable in the medium and long term, especially in the wake of dwindling oil revenues. Finally, at the macroeconomic level, this public sector employment model is a major cause of low labour productivity, reflected in low wages.

The present human resources model prevailing in the public sector and consisting of job security, underemployment cum inefficient use of staff, short effective working time and low wages rigidly linked to educational credentials is no longer a workable proposition for accommodating the growing numbers of school leavers in Syria, let alone tackling high official unemployment and hidden underemployment. In a context characterised by retrenchment and rationalisation in the public sector to improve labour productivity, the traditional career pattern of school leavers and graduates seeking a job in the public sector as a first option, will no longer be valid.

5. THE QUALITY AND RELEVANCE OF EDUCATION AND TRAINING

5

Strong criticisms of the quality of Syrian education and training can be heard everywhere. In the private sector, denigrating the quality of university graduates, even those holding degrees in disciplines with a tradition of quality such as engineering, is commonplace. These criticisms are sometimes expressed in such sweeping terms that one wonders why so many Syrian graduates emigrate so easily and do so well abroad. VET is assessed with the same severity, with the exception of the dual system. Companies complain that they have to do all the training themselves.

In the public sector, applicants are categorised according to their educational qualifications. The absence of a positive work environment or performance incentives, coupled with low pay, prevents a rational assessment of the performance of graduates and school leavers. Critics tend to confuse the intrinsic quality of

education with the unfavourable work environment in which people are working.

The criticisms mentioned above are too ill-thought-out to be used for education policy purposes. They simply show that a sound and rational public debate about the quality of education and training has yet to take place in Syria. It is indeed difficult to appraise the quality of education when the labour market is dominated by a large surplus of labour and rigidities of all kinds, and where what is important is not what you know but whom you know.

Despite the unfavourable labour market conditions described above, the Ministries of Education and Higher Education acknowledge a serious quality problem and are ready to initiate and implement programmes and initiatives aimed at improving the quality and relevance of Syrian education. Some of these are briefly reviewed below.

5.1 PREPARATORY EDUCATION

In 2003, Syria participated for the first time in an international study measuring student achievements. A sample of about 5,000 eighth-grade students aged about 14, enrolled in 130 Syrian schools, was tested in the context of the Trends in International Mathematics and Science Study (TIMSS) conducted under the auspices of the International Association for the Evaluation of Educational Achievement. The results, reported separately from other countries, showed that the scores of Syrian students in both mathematics and science were low by international standards, confirming the poor quality of preparatory education in these subjects (TIMSS, 2003a and 2003b).

A five-year project (2005–10) aimed at improving the quality of basic education has been designed by the Ministry of Education. It includes three components: (i) improving teacher quality by upgrading and extending the duration of training from two years post-baccalaureate to four years in university colleges of education; (ii) developing new curricula according to international standards; and (iii) introducing information technology in schools.

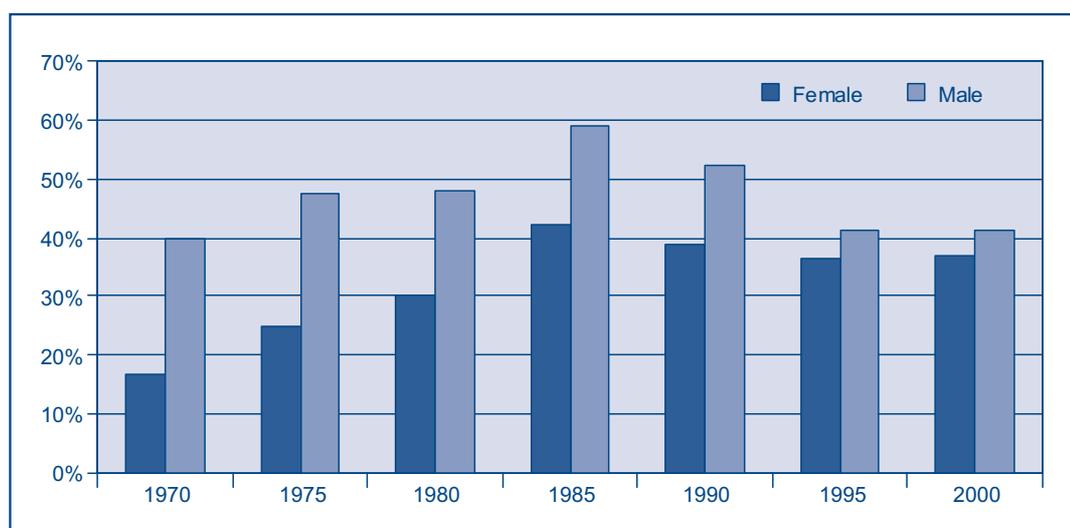
The main thrust of the project seems sound, but the Ministry of Education faces

difficulties in formulating it in appropriate terms. Also, the cost implications are quite significant, given the large number of preparatory teachers (over 205,000 in 2003) that will receive longer university training. These teachers will claim a shift from Category 2 to Category 1 of the public service, with corresponding pay increases. Expenditure on preparatory education will increase accordingly.

5.2 SECONDARY EDUCATION

Children are allocated to either general or technical secondary education according to their grades on the final examination of preparatory school. As mentioned above, the policy of the Ministry of Education in recent years has been to decrease the share of preparatory completers enrolling in the VET route in an attempt to improve quality and relevance. The Syrian government's previous strategy of increasing enrolments in VET schools has contributed to very high dropout rates among secondary institutions and decreasing net enrolment rates, from a high of 59% for males and 42% for females in 1985 to around 40% for both groups in 2000 (see Figure 21). The low internal efficiency of secondary education is well documented in the *National Human Development Report 2005* (UNPD, 2005).

Figure 21: Net enrolment in secondary education by gender (1970–2000)



Source: *World Development Indicators, 2003*

5. THE QUALITY AND RELEVANCE OF EDUCATION AND TRAINING

The EC/MEDA programme Modernisation of the technical and vocational education and training system³ is the main initiative adopted so far by the Syrian authorities to improve the quality and relevance of VET in two sectors, the ready-made garment industry and the maintenance in electrical and mechanical engineering industry. The total cost of this programme will be €25 million, with an EU contribution of €21 million. Implementation is scheduled to begin in September 2005.

This programme will consist of three main activities.

Activity 1 (€14.8 million):

- upgrade 16 selected VET institutions⁴ in the two sectors mentioned above through curriculum development, provision of equipment, teacher training, enlarging the practical training component, improved management of VET institutions, and provision of vocational guidance and information services;
- help companies to express and satisfy their skill needs;
- support chambers of commerce in human resources management and training.

Activity 2 (€1.9 million):

- support the Syrian government in adopting an overall approach to VET development culminating in the creation of a National Institute for VET Development.

Activity 3 (€1.15 million):

- develop a labour market strategy and build capacity in the Ministry of Social Affairs and Labour;
- upgrade the capacity of the public employment services.

Generalising dual VET systems is another option to increase the quality of training and the relevance of that training to labour market needs. But the possibilities for extending dual VET are constrained by two limiting factors, namely (i) the availability of training places in companies within the relevant sectors, and (ii) the willingness of students to take jobs upon graduation instead of seeking additional training through intermediate institutes. Neither of these issues can easily be resolved on a large scale⁵. The outlook for generalising the dual system is heavily dependent on the growth prospects of companies in the relevant industries and the supply of appropriately-paid jobs needed to discourage students to seek additional training.

5.3 INTERMEDIATE INSTITUTES

In sharp contrast with secondary technical schools, intermediate institutes enjoy a high degree of credibility and prestige among students. Considered as the apex of the VET route, they are credible because they are selective; in 2004, about 97,000 baccalaureate holders out of a pool of 134,000 applicants gained admission to intermediate institutes. The selection process is organised by the Ministry of Higher Education. The possibility of some graduates entering university, usually in the second year, is another positive feature likely to remove the 'dead end' perception of these institutes, even though a very small minority of such graduates (3%) are allowed to do so.

At first glance, intermediate institutes are also highly visible on the Syrian labour market. Despite high dropout rates, there were more intermediate institute diploma holders (330,000) than university graduates (300,000) in the labour force in 2002.

³ EC programme Modernisation of the technical and vocational education and training system in the Arab Republic of Syria, feasibility report, January 2004

⁴ Two intermediary institutes under the Ministry of Higher Education, three intermediary institutes under the Ministry of Education, eight vocational secondary schools under the Ministry of Education, and three vocational training centres under the Ministry of Industry

⁵ In one of the schools visited, enrolment was constrained by the lack of trainee places available in the textile sector and the refusal of education authorities to let students seek admission to intermediary institutes upon graduation. As a result, the school facilities were underused.

This may be due to the fact that university graduates, especially in the key fields of medicine and engineering, show a higher propensity to work abroad than intermediate institute graduates. Statistics also show that 81% of intermediate institute graduates are employed in the public sector. Obviously, it is perfectly natural that graduates in health professions and teacher training will take public sector jobs.

These figures illustrate the very high propensity of intermediate institute graduates to seek salaried jobs in the public sector and their strong reluctance to seek jobs in the private sector or as independent workers. Although each institute has individual student files, no tracer studies are presently available to document graduate career patterns. However, this 'traditional' employment pattern shows that institutes are ill adapted to the new labour market conditions outlined above. Our analysis in Section 2 above indicated that wages for male intermediate institute graduates working in the private sector were not significantly different to wages for male secondary school completers, suggesting a near-zero return to completing their intermediate institute training. Wages for female intermediate institute graduates were substantially higher than for secondary school completers; this suggests that the training received by males is not valued in the private sector, but that the training received by females (who specialise in different technical areas, such as textile manufacturing) is. Gearing students, especially males, towards private employment, SMEs and self-employment will be the major labour market challenge faced by intermediate institutes in the coming years⁶.

Curriculum development is secured through specialist committees that include representatives of the relevant institutes and of the private sector. These committees meet regularly and draft proposals for change. Efforts are underway to identify key specialties, to increase practical training, and to upgrade the training of teachers. Some intermediate

institutes were recently given the right to charge significant student fees and keep this revenue in their own budget, which gives them a limited degree of financial autonomy. The fragmented institutional affiliation of institutes is another weak point: the Ministry of Higher Education is responsible for only 34 institutes out of a total of 121. Most of those not under the Ministry of Higher Education are in the fields of teacher training, agriculture and healthcare. There is a Higher Council for Intermediate Institutes, but its mandate is unclear and there is no framework for cooperation with social partners.

5.4 UNIVERSITY EDUCATION

About 245,000 students are enrolled in the four public universities. Furthermore, about 4,000 students go to study abroad every year. The number of Syrian students living abroad is around 20,000, but nobody knows how many of them return to Syria. Poor quality and bureaucratic management are the two most common causes for concern. The former is often attributed to the high proportion (about 60%) of the teaching staff who obtained their university degrees in the countries of the former Soviet bloc. The latter is illustrated by the cumbersome procurement procedures that, together with a fear of making decisions at all levels of the administrative machinery, prevent universities from spending all of their investment budgets.

A new law promoting the administrative and financial autonomy of universities is about to be approved. Merit pay, in the form of premiums added to salaries, will be granted to professors for specific tasks. University budgets will be transmitted directly from the Ministry of Finance to the universities which will be authorised to keep whatever additional revenue they can raise. Steps are also being taken to establish a quality assurance and accreditation agency.

The four priorities for university education are admissions policies, quality, relevance and governance. To implement these

⁶ The support given to five intermediate institutes by the forthcoming MEDA project is a first step in the right direction.

priorities, a series of project areas have been identified for which the Ministry of Higher Education is seeking foreign assistance (Ministry of Higher Education, 2004). The identification of an EU programme for upgrading the higher education system in the Syrian Arab Republic has recently been initiated.

All these initiatives to improve the education and training system show that education authorities are trying hard to overcome the perceived deficiencies of the sector. But the effectiveness of these initiatives will be limited under the existing labour market conditions. Unless labour market reforms and employment promotion policies are vigorously pursued and significant progress in these areas is achieved, the effectiveness of additional investment in education and training will be severely impaired. Worse, the impression that quality in education is a costly and elusive objective will fuel public scepticism towards education.

5.5 TRAINING DURING THE TRANSITION FROM SCHOOL TO WORK

In Syria, as in many other countries, the quality of formal education (that is, education provided in schools and other Ministry of Education establishments) is criticised on the grounds that it is 'too theoretical' and/or that 'school leavers do not know how to do things'. To address this problem, many countries have set up programmes aimed at providing practical training opportunities to school-leavers during their transition from school to work.

In Syria, it is customary for school leavers to register with the employment offices of the Ministry of Social Affairs and Labour in the hopes of obtaining a public sector job. This transition period may last several years, however, depending on the level of educational attainment of each individual. To the extent that public sector hiring practices are based on formal education diplomas, school leavers are not encouraged to enrol in practical training programmes to improve their chance of getting jobs. In the private sector, reliance on family or social connections to get jobs

supersedes practical training as the normal route to improving school leavers' employability. Furthermore, employment offices are not equipped to give jobseekers reliable information about job opportunities in the private sector. Opportunities for jobs in the public sector will decrease in the future as a result of the new public sector policies adopted by the government and school leavers should be encouraged to seek employment in the private sector through practical training.

Unfortunately, practical training provision during the transition from school to work is very limited in Syria. In 2003, the Agency for Combating Unemployment (ACU) began implementing two programmes in this area (ACU, 2003b).

- The Training for secured employment programme is designed to help young people registered in employment offices to find jobs in medium-sized and large private sector companies. The role of the ACU is to select (in cooperation with the Ministry of Education) and train young people and arrange for them to be recruited by (mostly industrial) companies. The ACU thus acts as an interface between jobseekers and vacancies.
- The Beneficiary Training programme is designed to provide short courses to the beneficiaries of ACU loans to help them in creating their own businesses.
- A third training programme, aimed at training 30,000 VET school-leavers in computing skills over three years, will be launched in 2005 by ACU in cooperation with the Ministry of Education and the Syrian Computer Society.

A detailed assessment of the effectiveness of ACU training programmes during the transition from school to work is beyond the scope of this report. In general, managing programmes of this kind involves a large number of pitfalls even in countries with better functioning labour markets than Syria and the beneficiaries of these programmes are still few. Practical training provision aimed at private sector jobs during the transition from school to work could be expanded.

5.6 CONTINUING EDUCATION AND TRAINING

Continuing education and adult training and retraining facilities in Syria are scarce and heavily fragmented. This is a direct consequence of a labour market in which unemployment affects mostly young people and job security for adults prevails over efficient human resource management. For people holding jobs protected by status (those in the public sector), or jobs obtained through family or social acquaintances (those in the private sector), changing jobs for the purposes of career development is not usually done and education/training opportunities designed to help this process are simply redundant. In a labour market dominated by initial education credentials and job tenure, there is scant justification for developing continuing education and training facilities open to all and leading to alternative forms of skill acquisition.

As the Syrian workforce steadily becomes older over the coming two decades and as the share of workers in public sector jobs declines, however, there is a real possibility that the share of adults among the unemployed will start to rise. As a consequence, the demand for continuing education and adult training services may also start to rise. The Syrian government would do well to prepare for this possibility.

In the public sector, it is customary for ministries to run their own training facilities and to impart mostly technical training for lower-level administrative staff. The training needs of public sector companies are met by the network of vocational training centres managed by the Ministry of Industry and the Ministry of Construction. The training courses offered in these centres are short (a maximum of nine months) and do not lead to formal training qualifications. None of these facilities are open to people seeking jobs in or working in the private sector or to unemployed adults or people seeking to upgrade their skills or wanting to change jobs.

These institutional arrangements do not seem very effective. Indeed, they are fraught with serious deficiencies.

- In the public sector, the multiplicity of ministerial responsibilities that exist prevents the development of coherent and effective training policies. Training facilities are being underused, economies of scale are impossible to create and overlapping services are commonplace.
- The Ministry of Labour, which is in charge of the network of employment offices, has no training facilities of its own or affiliated training networks. In the context of a development strategy stressing private sector employment, the Ministry of Labour is not equipped to play its normal role of 'facilitator' of labour mobility in a well-functioning labour market, addressing the employment needs of the private sector.
- Continuing education and training for jobs in the private sector hardly exists. Companies wanting to introduce new technologies do not have facilities to which they can send their workers for short-term training and retraining. Worse, such companies are highly critical of public facilities. The larger ones tend to develop their own on-the-job training programmes, while the smaller firms carefully weigh the benefits of adopting new technologies against the costs of training.
- Education and training for self-employment is limited to the incipient Beneficiary Training programme run by the ACU.
- In the absence of continuing education and training, VET provision is limited to three-year course programmes taught in schools and leading to traditional credentials (Ministry of Education and Ministry of Higher Education diplomas) which are the only way of assessing young people's competences and skills. Alternative, shorter VET courses, more suited to specific private sector needs and leading to alternative modes of acquiring qualifications recognised by the labour market should be developed.

The present institutional arrangements regarding the provision of continuing education and training are not suitable to support a new development model stressing progress in productivity achieved through labour mobility and efficient use of

5. THE QUALITY AND RELEVANCE OF EDUCATION AND TRAINING

labour. New continuing education and training policies should be designed to ease the transition from an administrative overly regulated labour market to a more efficient labour market oriented towards promoting effective use of human resources in both the public and private sectors. These policies should be designed according to the following principles.

- Continuing education and training opportunities should be widely opened to young people and adults whether they are working in the public or private sector.
- These opportunities should be primarily designed to meet the needs of SMEs and the self employed.
- These opportunities should promote new modes of skill acquisition leading to alternative vocational qualifications and certifications complementing traditional diplomas.

6. POLICY PROPOSALS FOR IMPROVING THE EFFECTIVENESS OF THE HUMAN RESOURCE SECTOR

6

A proactive employment policy should be given prominence in the next five-year plan (2006–10). Within this overall framework, the following policy proposals are aimed at addressing some of the most critical issues to maximise the social efficiency of investment in education and training.

The first three proposals are aimed at improving the labour market situation in Syria by (i) rationalising the public sector, and (ii) directing investment towards employment creation in the private sector. Employment policies leading to the creation of skilled, productive jobs in the private sector should be the overriding objective of the economic strategy of the country.

The last three proposals are designed to adapt the education and training system to this new proactive employment policy. The guiding principle in formulating education policy proposals should be to improve quality and relevance to private sector employment.

All these proposals include a heavy component of institutional development.

They are in line with the new development paradigm of Syria whereby increasing capacity is seen as a less urgent problem than addressing the organisational and administrative deficiencies that impair better labour force utilisation and greater economic growth.

Proposal 1: Reforming human resources policies in the public sector

Mandatory recruitment by ministries of graduates from some higher education institutes was recently abolished. This is a step in the right direction but ministries and public companies should now be encouraged to adopt redundancy and attrition policies aimed at reducing overstaffing and improving labour force utilisation through longer effective working times.

These policies should be coupled with explicit salary premiums to retain key qualified personnel⁷. The guiding principle should be ‘fewer but better used, better paid, and more motivated public sector employees’.

⁷ Financial incentives are currently being proposed to motivate university personnel taking over certain tasks.

INVESTMENT IN EDUCATION, EMPLOYMENT AND ECONOMIC PERFORMANCE IN SYRIA

During the first year of the five-year plan each ministry and public sector company should be requested to prepare a human resource development plan aimed at improving staff performance and addressing organisational deficiencies such as overstaffing, short effective working hours, and salary structures that are inadequate to motivate staff and retain highly qualified personnel. The ISMF diagnosis report regarding the Ministry of Finance, the State Planning Commission, and the Ministry of Economy and Trade sets out 'what needs to be done to perform better, faster, at lower costs, with greater responsiveness and efficiency' (ISMF, 2005). This approach should be adopted in all ministries and public sector companies.

Financial incentives and disincentives (rewards and penalties linked to annual budgets) could be created to promote the implementation of these plans by ministries during the 2007–10 period.

Benefits: This proposal is expected to:

- i. improve labour utilisation in the public sector;
- ii. pave the way for modernising public administration in Syria;
- iii. release capacity to be directed towards the private sector; and
- iv. reduce long-running public administration costs.

Proposal 2: Promoting employment in the private sector

It is expected that the private sector will play a primary role in absorbing new workers over the next few years. As such, policies need to be adopted that support the development and growth of the private sector. In recent years, the Syrian government has done much to create a healthier business environment: private banks have been allowed to open, official exchange rates have been brought in line with international rates, barriers to entry have been removed for most industries, single-window (one-stop) centres are being considered, and national labour laws are undergoing needed reform. Still, there is more that can be done.

The government should strongly consider removing the remaining barriers to entry, especially for the bottled water, carpet, wool and cotton industries. Furthermore, the government should phase out both implicit and explicit subsidies to public sector enterprises to ensure that the private sector can compete on an equal footing.

Companies registering under Law 21 and those applying for exemptions under Law 10 should be given clear and reasonable requirements for registration. Licensing bodies should refrain from placing additional conditions on applicants during the licensing process, except in very special circumstances, such as projects with an environmental impact. Also, the corporate tax system should be simplified and made more transparent and less arbitrary. Such reforms may actually increase tax revenues by encouraging greater compliance.

The government should follow through on proposals to reform the country's labour laws. The ability of private sector firms to layoff workers should be reviewed with the aim of broadening the number of workers with permanent contracts. At the same time, appropriate safety nets such as unemployment insurance systems, need to be developed.

Benefits: These proposals will:

- i. contribute to a healthier business environment; and
- ii. induce private sector firms to open or expand their business activities in the country.

This in turn would help create more and better jobs.

Proposal 3: Facilitating job creation in small companies

Small companies requiring limited investment capital but with a good potential for job creation and employment growth should be given prominence in a proactive employment policy stressing job creation. According to the data of the Ministry of

6. POLICY PROPOSALS FOR IMPROVING THE EFFECTIVENESS OF THE HUMAN RESOURCE SECTOR

Industry, companies with fewer than nine workers, presently registering under Law 47, have the lowest investment cost per job created and represent 60% of total employment in the formal private sector (see Figure 13, p. 27). These companies should benefit from simplified registration procedures and the possibility of receiving start up loans.

Achieving full deregulation of the registration process required for these companies is a prerequisite. Registration should be a simple, once-every-five-year obligation, aimed at giving each small company a social security and tax number. It should not be associated with 'visits' or 'authorisations' of any kind delivered by any public authorities other than tax and social security authorities.

Small companies in the informal sector are an especially promising source of employment growth. This is because they deliberately remain smaller than their true potential size in order to escape government notice. Small companies in the informal sector should be encouraged to register by improving the business environment (i.e. adopting the policy recommendations above) and by making small start-up loans available. Building on the experience gained by the ACU in running a programme of micro-credits for young jobseekers, banks and other financial institutions should be encouraged to open 'small business windows' for small companies.

Benefits: This proposal would contribute to job creation by:

- i. stimulating the creation of low-cost jobs in small companies; and
- ii. encouraging informal companies to register in the formal sector and eliminating their hesitancy to grow.

Proposal 4: Developing appropriate tools to assess quality in education

In Syria, student performance is assessed exclusively by means of nationwide examinations (i) at the end of the ninth year of preparatory school, (ii) at the end of the secondary school streams, general and technical (baccalaureate), and (iii) upon

finishing the two-year course programmes offered at the intermediate institutes and by university diplomas. Reassessing the effectiveness of the present scale of examinations was beyond the scope of this report, but these end-of-cycle examinations are not sufficient to monitor student learning performance, identify weak spots in the teaching/learning process, or inform proposals for appropriate pedagogical change.

Syria needs to develop appropriate tools to monitor and improve the quality and effectiveness of its education system, at both the individual and institutional levels.

The quality of preparatory education is crucial to furthering learning experience through life. In terms of learning achievements Syrian students do not fare well internationally. In the perspective of preparatory education as a foundation for learning, a national testing service should be developed in basic subjects to enable periodic assessment of student learning performance during preparatory education. The proposal would support the objective of the Ministry of Education of developing new curricula in accordance with international standards.

Learning takes place at school. International research shows that the quality of schools is heavily dependent on several variables of an institutional nature (such as school leadership, teamwork among teachers and a positive learning atmosphere) that can be assessed only through *in situ* institutional evaluation. Institutional evaluation of a sample of secondary schools should be carried out at regular intervals.

Benefits: These proposals would contribute to improving the quality of education by:

- i. nourishing a more objective public debate over the quality of Syrian education;
- ii. helping Syrian educators to identify deficiencies in the teaching/learning process and target these deficiencies for additional investment; and
- iii. improving school management and identifying key factors that improve/impair learning within schools.

Proposal 5: Improving the relevance of vocational education and training to the private sector

The full benefits of further investment in the quality and relevance of the Syrian education system, especially VET, will not materialise unless there is adequate demand for skilled labour. This report has shown that the prestige, visibility and credibility of the VET route (as opposed to the general education route) are still weak in the eyes of private sector employers. Strengthening and improving this VET route – intermediate institute diplomas, technical secondary education diplomas and continuing training provision in selected sectors where one can foresee a demand for skilled labour – should be the guiding principle of VET policy in Syria.

To be more beneficial to the private sector (both in perception and in reality) vocational education in Syria needs to (i) create stronger links with the private sector and (ii) ensure that students are being trained in relevant occupations.

The first objective can be accomplished through stronger involvement of private employers in policy-making at the national level, the creation of local private industry councils that would help to advise and direct the programmes, and direct involvement of employers in the governance and monitoring of educational institutions, for example in school boards. Syria's limited experience with dual VET systems suggests that graduates of such programmes are well received by the firms that train and hire them. Strengthening private sector input into the development of curricula will help to improve the standing of VET school graduates in the eyes of the private sector.

The second objective would be achieved by establishing a labour market information system that could help the Syrian government, local governments, VET school administrators and private industry councils to identify occupations with the capacity to absorb VET graduates. Labour demand must be assessed at the local level to ensure its relevance to the local labour market.

Benefits: This proposal would:

- i. strengthen the credibility of VET through increased collaboration between government authorities, private employers and training providers; and
- ii. ensure that VET students obtain training in occupations in which they are likely to find jobs upon graduation.

Proposal 6: Support the development of continuing vocational education and training

A more active role in employment on the part of the private sector, coupled with retrenchment in the public sector will lead to increased labour mobility. Continuing education and training is an appropriate accompanying measure to facilitate and support the mobility of labour.

In addition, the demographic wave discussed in this report is quickly moving into mid-career, placing burdens on the labour market in terms of meeting the needs of mid-career workers. The proportion of mid-career workers among the unemployed might begin to rise in the very near future. The Syrian government should anticipate this potential development and begin to prepare policies and programmes that cater to the needs of the adult unemployed, including providing retraining programmes.

It is proposed that a system be established to fund, promote and develop continuing education and training opportunities for young people and adults (i) seeking jobs in the private sector, (ii) setting up their own independent businesses, and (iii) wanting to retrain for job change after layoff.

Benefits: This proposal is expected to:

- i. diversify VET provision by supplying short courses designed to meet private sector needs;
- ii. facilitate labour mobility; and
- iii. initiate the development of a continuing training industry in Syria.

ACRONYMS

ACU	Agency for Combating Unemployment
EC	European Community
ETF	European Training Foundation
GDP	Gross domestic product
ILO	International Labour Organisation
IMF	International Monetary Fund
ISMF	Institutional and Sector Modernisation Facility
SME	Small and medium-sized enterprise
SPC	State Planning Commission
SYP	Syrian pound
TIMSS	Trends in International Mathematics and Science Study
UNDP	United Nations Development Programme
UNPD	United Nations Population Division
VET	Vocational education and training

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