

# **Engaging companies in manmade disasters – a guidance toolkit for private sector networks**

## **Case study: CBI Türkiye**

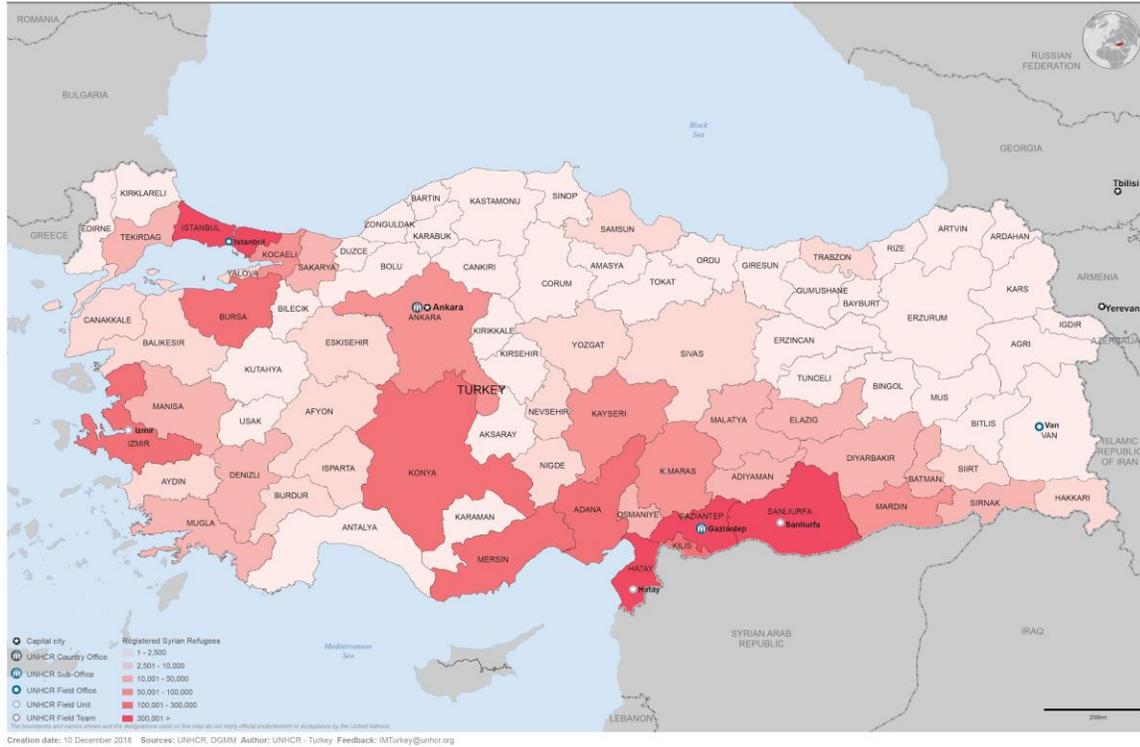
### **Overview of the humanitarian context**

Turkey is a developing country sitting on the crossroads of continents, as such it has both strong internal dynamics, which require unique solutions, and is also closely linked to regional and global dynamics, which create a market for these solutions. In the last 100 years, the country shifted from imperial ruling to democracy, the population grew five times and became mostly urban, and the economy transitioned from agriculture and commerce to industry and services. These internal transformational changes coincide with a turbulent global and regional period, marked by wars, liberalization, construction boom and mass population movements. Today's Turkey has rapidly growing cities, is a geostrategic hub for energy and logistics, and a vibrant regional economic power. As it was historically, it remains a key transition route and destination for migrants from central Asia, the Middle East and Sub-Saharan Africa. Understanding the risk drivers of Turkey requires a system perspective, a look at the components which makes up the country and their relationships, both among themselves and with their surroundings.

Turkey has witnessed mass population movements from neighboring countries in the past, but never at this scale and pace. Mass populations movements within the Ottoman Empire were common occurrence and several high profile events after the establishment of the republic continued this trend. The population exchange between Greece and Turkey in the 1920s, the migration of Turks from Bulgaria to Turkey, the death of Tito, the demise of USSR and various wars such as the Balkan wars, the Gulf wars and the wars in Afghanistan have led to mass movements towards Turkey. Some of the refugees stayed, some continued towards Europe or the Americas. As Turkey's economy grew, the country moved steadily from a transit to a destination country. Its policies also evolved accordingly. Today, Turkey is both a transit and a destination country hosting around 4.2 million refugees, which adds to the difficulties of developing adequate solutions. It can be assumed that Turkey will continue to be affected by environmental, social, political and economic events happening in neighboring countries.

Since 2015, Turkey is the global lead in hosting refugees, especially from Syria. Man-made crises such as those witnessed in Syria and Iraq cause mass population movements. In 2011, a civil unrest has triggered a civil war and continues to displace millions of Syrians. Syria's neighboring countries have received most of the refugees, whose numbers have exceeded 5.6 million. Today out of 4.2 million refugees in Turkey, 3.6 million come from Syria. Syrians were mainly located in the Southeast Anatolia region bordering Syria, but as the crisis continued, the population has expanded to other regions as well (Figure 1). Istanbul now hosts the highest number of refugees, over half a million. The ongoing complex emergency continues to bring in more refugees to the country which increases the pressures on the municipal services and infrastructure, economic inequalities, social tensions, inequalities in access to services, thus becoming a challenge for both the host communities and refugees.

**UNHCR Turkey:**  
**Provincial Breakdown Syrian Refugees in Turkey**  
 as of 29 November 2018



*Figure 1. Distribution of Syrian refugees across Turkish provinces (UNHCR 2018)*

The Syrian civil war began at a time when the government of Turkey (GoT) was in the process of amending its immigration policies to meet EU standards, limiting Turkish authorities' capacity to manage the crisis and as a result, national organizations on the ground were left to take action without sufficient guidance. Furthermore, while GoT has effectively adapted its policies to meet rapidly changing circumstances, such as the 2013 law that laid out Temporary Protection status for Syrian refugees, institutions at all levels, and particularly the municipalities that are on the front lines of providing services, still lack the guidance and coordination that firm GoT policy on a long-term integration strategy and legal status for the refugees would bring.

### **Overview of the economy and private sector capabilities**

Turkey experienced a lengthy period of economic growth over the past nearly 20 years that translated into significant gains in social welfare. After a financial crisis in the early 2000s, reforms, including fiscal and monetary policy as well as privatization of key industries, such as power, energy, transportation and banking, required under the terms of an IMF stabilization program, were successful in creating sustained economic growth. GDP growth averaged more than 6% per year until 2008. Turkey's economy contracted in 2008 during the global recession but strong domestic financial market regulation and banking systems allowed the country's economy to rebound relatively quickly; GDP growth rose to 9% in 2010 and 2011.

Service and industry comprise most of Turkey's economy though agriculture is still 25% of employment. From 2002 to 2010 the structure of the economy changed substantially from agricultural production to industry and services; this dynamic contributed to economic growth because agricultural labour productivity had already been the lowest of all sectors. While services were as much as 60% of the economy in 2017, strong industrial production growth was recorded at 9%. Primary industries include textiles, food processing, automobiles, electronics, mining, steel, petroleum, construction, lumber, and paper.

Turkey's economic growth was accompanied with progress toward alleviating poverty. Between 2002 and 2011, extreme poverty fell from 13 to 5 percent while moderate poverty fell from 44 to 22 percent, attributable to growth rather than redistribution. During this period the size of the middle class doubled. Within these broad signs of improvement, inequality along geographic, age, and educational statuses means that many in Turkey have been left out of economic gains. The rural poor, youth and those with less educational attainment are not as likely to experience upward economic mobility. Inequality has risen since the global economic crisis in 2008 and women's labour force participation remains notably below countries with comparable economies.

In the last years Turkey has experienced rising economic stress on top of the 2016 failed coup attempt and conflict with armed Kurdish groups, which have exacerbated economic uncertainty. Mid-2017 saw the start of a significant exchange rate depreciation; an additional depreciation of 30% occurred in August 2018. In the latter part of 2018 private consumption and investment declined and business and household confidence fell as a result. Contracting labour markets in low-skill work areas like construction are expected to intensify the challenge of integrating large numbers of refugees into productive livelihoods.

Already, violent conflict between Syrians and their hosts has clustered in communities with low-skill jobs, where an influx of new residents driving up costs and taking jobs has not been entirely welcome. Rivalry between host and refugee communities tends to be around jobs in the informal economy, which constitute approximately 34% of Turkey's total economy. High Turkish youth unemployment and high rates of Syrian youth out of school, coupled with limited economic growth predicted for 2019, could mean an increase in domestic tensions. Even when the economy expands again, refugees will continue to have a significant influence on Turkey's domestic political, social and economic spheres.

### **Impact on the private sector and challenges**

Instability in Syria and resulting influx of Syrian refugees into Turkey have affected economies of cities more than macroeconomic dynamics. The rise of the conflict in Syria, has hindered Turkey's trade activities with Syria. Exports to Syria dropped from USD 1.8 billion in 2010 to USD 504 million in 2012.<sup>1</sup> However, Turkey's overall trade volumes were unaffected, as Syria represents a very small percentage of total exports. The impact show variation between cities. Western cities such as Istanbul, Kocaeli and Bursa saw their export to Syria decrease by 80%, 94% and 74%, respectively, between 2010 and 2014. Overall impact on these cities was limited as Syrian market is a very small portion (0.3-6%) of their total exports. Meanwhile southeastern cities bordering

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<sup>1</sup> Daily Sabah, "Southeastern Gaziantep's exports to Syria record 22 pct rise in 10 months," November 13, 2018, <https://www.dailysabah.com/business/2018/11/14/southeastern-gazianteps-exports-to-syria-record-22-pct-rise-in-10-months>

Syria had initially been affected by the crisis, but starting from 2012 trade with Syria was back on the rise. Public institutions and international humanitarian assistance organization have procured most of the basic needs (e.g. food, clothes, and hygiene kits) for refugees from local businesses, which have significantly increased their sales. Additionally, firms in Turkey and the growing number of Syrian businesses established in the region begun covering for the loss of productivity in Syria, thus benefiting from increased exports.<sup>2</sup> Thus, overall trade volumes to Syria recovered back to around USD 1.4 billion in 2017.<sup>3</sup> Between January to October 2018, Gaziantep accounted nearly half of Turkey's exports to Syria, reaching USD 560 million.<sup>4</sup>

The first challenge is that Syrian refugees are perceived as competition in the local labor market. 53.7% of the refugees are between at working age (18 to 59). Unemployment rate in Turkey is around 13%. Therefore, many perceive refugees as an inhibitor for access to job opportunities. One research<sup>5</sup> shows different dynamics for men and women, and for formal and informal sectors. In the formal sector, for men, refugee employment has shown to create new jobs, and alter the type of employment available (e.g. men moving to self-employment from wage jobs). However, in the informal sector every 10 Syrian men is found to replace jobs from 4 locals, and reduce the overall wages due to competition created. For women, employment opportunities in part-time jobs are eliminated as a result of increased competition as well.

The second challenge is that refugee labor force is very vulnerable to exploitation and mostly active in the informal economy. By 2018, while only around 60,000 Syrians have been granted official work permits, there were over 750,000 to 950,000 working informally.<sup>6</sup> Because both local businesses and refugees are disincentivized from contributing to the formal economy. Turkish businesses prefer to hire refugees informally to avoid tax and social security cost burdens (as they do with locals). Furthermore, they can only employ up to 10% of their staff from refugees, thus they are not incentivized to work with Syrians. According to a survey conducted by UNDP among Turkish businesses, 90% of firms which previously employed a foreigner, employed them formally; for Syrians this portion drops to 40%.<sup>7</sup> Concurrently, Syrians are hesitant to accept formal employment offers over concerns of losing their social benefits. These economic challenges compel Syrian families to rely on child labor, further exacerbating informalities of the labor market.<sup>8</sup> The Ministry of Family, Labor and Social Services is showing flexibility to process more work permits and formalize the existing Syrian workforce.

The third challenge is that Turkish businesses have mostly been hesitant to engage with the refugees, they need more policy clarity and data to make informed decisions. The Government of Turkey's description of Syrians as "guests" have influenced the private sector's perception of the crisis. Most of the private sector engagement focused on providing humanitarian aid, rather than

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<sup>2</sup> Ozpinar, Esra, Seda Basihos, and Aycan Kulaksız, *Trade Relations with Syria After the Refugee Influx*, TEPAV, November 2015.

<sup>3</sup> Daily Sabah, "Southeastern Gaziantep's exports to Syria record 22 pct rise in 10 months," November 13, 2018, <https://www.dailysabah.com/business/2018/11/14/southeastern-gazianteps-exports-to-syria-record-22-pct-rise-in-10-months>

<sup>4</sup> Daily Sabah, "Southeastern Gaziantep's exports to Syria record 22 pct rise in 10 months," November 13, 2018, <https://www.dailysabah.com/business/2018/11/14/southeastern-gazianteps-exports-to-syria-record-22-pct-rise-in-10-months>

<sup>5</sup> Aksu, Ege, Refik Erzan, and Murat Guray Kırdar, "The Impact of Mass Migration of Syrians on the Turkish Labor Market," Koç University - TÜSİAD Economic Research Forum, December 2018.

<sup>6</sup> Building Markets, *One Year Later: Revisiting the Contributions of Syrian Entrepreneurs in Turkey*, 2018.

<sup>7</sup> UNDP, *LOT 2: Özel Sektör Araştırması Online Anket Raporu*, December 12, 2018.

<sup>8</sup> UN Women, *Türkiye'de Geçici Koruma Altındaki Suriyeli Kadın ve Kız Çocukların İhtiyaç Analizi*, June 2018.

employment. A workshop and an in-depth survey conducted by TURKONFED and UNDP<sup>9</sup> uncovered a wide range of reasons why the private sector is hesitant to employ Syrians: (i) lack of policy and regulation clarity on if/how the private sector can/should engage with refugees; (ii) concerns of rising social tensions between Turkish and Syrian employees in the workplace, (iii) language barrier that hinder effective communication regarding business operations; (iv) lack of proper documentation of Syrians on their background and skills; (v) fear of risking their social status in their community; (vi) difference in skill sets and need for training and adaptation to reach the same productivity and quality; and (vii) cultural differences that seep into the work culture and values. As a result, willingness to engage with Syrian refugees and businesses shows great variation within the private sector<sup>10</sup>.

### **Examples of the role of the private sector in manmade disasters**

There are political undertones to any form of outspoken participation for the private sector, which has limited their engagement thus far. As most refugees in Turkey live outside a camp, the private sector can play a role, both as an employer to the Syrian workforce or as a business partner to the Syrian business community. In May of 2018, the Istanbul Apparel Exporters Association (IHKIB) signed an agreement with the International Labour Organization (ILO) to provide more “formal and decent work for Syrian refugees”. This agreement will leverage the 7,000 companies that make up IHKIB (including H&M) to hire and train more refugees to work in their factories. Despite some small wins, many refugees are still making a living in informal labour markets.

The private sector in Turkey sees several risks associated with further engagement with the refugee crisis. There is a general concern for how their engagement will negatively impact business. Many companies feel there is a chance they could lose market share or reputation amongst clients who are Turkish. They also have concerns regarding social tensions that may arise within their own workforce if more refugees are hired. A lack of clarity on labour regulations and policies can also establish stronger barriers to entry for companies interested in engaging the refugee labour pool. While there is a path companies can take to apply for work permits, the process has been cited as being slow and taking up to three months to receive final approval. This long process takes time and capacity that very few smaller companies have.

While there are many risks the private sector sees when considering engaging the refugee crisis more directly, there are also opportunities. There are currently 3.5 million refugees in Turkey, which is seen by some businesses as a new market segment to explore and potentially generate an entirely new customer base as a result of engagement. While some companies fear the potential for friction within their workforce, others see the opportunity for a more diverse set of workers as a positive factor. Some companies see the corporate social responsibility angle as a way to improve their corporate image. These types of companies are likely to be larger international companies (such as H&M mentioned earlier), while smaller Turkish owned companies may not consider this opportunity as something viable for them. Finally, through working with refugees, businesses can open themselves up to new partnerships with the different organizations and government entities

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<sup>9</sup> TURKONFED and UNDP, “Connecting Business Initiative: Collective Private Sector Action to Address Complex Emergencies Workshop Report,” July 26, 2018.

<sup>10</sup> In the Private Sector Survey conducted by UNDP, only in Gaziantep, companies see Syrians enterprises as potential partners to grow their business and expand their export market and Syrians as a potential customer group. In other provinces such as Izmir, Adana, Mersin and Kilis, there is no such perspective.

that are also working with refugees. These new relationships can be beneficial as a company seeks to diversify and grow their business.

Based on the above, there are a number of opportunities for collective action amongst private sector stakeholders in Turkey. CBI has partnered with TURKONFED to begin exploring how Turkey's business community can engage the refugee crisis in an intelligent and commercially viable manner.

### **Role of the CBI Member Network in Turkey**

CBI Turkey was launched in November 2018, as a collaboration between UNDP Turkey and TURKONFED, the leading association for SMEs (representing 29 Federations, 247 Business Associations, and 40,000 companies in Turkey). TUSIAD, the leading association for large enterprises is part of the board.

Even prior to the launch, the private sector in Turkey had explored disaster preparedness. The business community, supported by the World Economic Forum, the Corporate Social Responsibility Association of Turkey, the U.S. Chamber of Commerce Foundation, and the UPS Foundation, created a disaster preparedness initiative called the "Business Disaster Resiliency Program for Turkey" or Sağlam KOBİ. The pilot project aimed to coordinate and improve the capacity and resilience of small and medium sized enterprises by organizing resiliency and business continuity training.

While the private sector has addressed natural hazards, its engagement in the more complex refugee crisis has been more limited. The work of CBI Turkey on complex emergencies is closely linked with UNDP Turkey Refugee Resilience Program, UN Habitat/ILO work on recovery, and NGO initiatives. As part of this workstream, CBI Turkey has carried out the following activities.

- Under the auspices of Dr. Mehmet Gulluoglu, the President of Disaster and Emergency Management Authority (AFAD), an introductory session was co-convened by the CBI Secretariat, Overseas Development Institute, UNDP Turkey and TURKONFED on 26 July 2018. Participants from the private sector and its stakeholder community learned about private sector engagement in complex emergencies, exchanged experiences and provided input for the development of the guidance toolkit.
- A landscape assessment was conducted in early 2019 to understand the evolving risk profile and its impact on businesses operating in Turkey. On complex emergencies, this included a desktop review, a survey with SMEs (over 300 entries) and a series of focus group meetings in key cities.
- The landscape assessment was presented and discussed with the TÜRKONFED board.
- On 22-23 May in Şanlıurfa, CBI Turkey, TÜRKONFED, the Federation of Eastern Industrials' and Human Associations and UNDP Turkey co-convened a workshop to present the guidance toolkit to executives and managers from local industries such as textile factories, water pipes and agricultural machinery suppliers. One of the takeaways was a constructive debate on inclusive business in a region impacted by a large influx of Syrian refugees and how business can play a positive role within the host community.

- Two workshops were convened in Mersin on 26-27 August 2019 to further explore how the private sector can engage in complex emergencies, particularly through the socio-economic recovery phase.
- A “self-help guideline” was developed for SME associations that operate in communities that host refugees.

### **Key findings and lessons learnt**

Turkey has witnessed mass population movements from neighboring countries in the past, but never at the scale and pace as when the Syrian refugees entered the country in 2015. As Turkey's economy grew, the country moved steadily from a transit to a destination country.

Today Turkey is the global lead in hosting refugees, especially from Syria. The ongoing complex emergency continues to bring in more refugees to the country which increases the pressures on the municipal services and infrastructure, economic inequalities, social tensions, inequalities in access to services, thus becoming a challenge for both the host communities and refugees. In fact, the instability in Syria and resulting influx of Syrian refugees into Turkey have affected economies of cities more than macroeconomic dynamics.

Syrian refugees are often perceived as competition in the local labor market. They are also very vulnerable to exploitation and mostly active in the informal economy.

As a result, the influx of Syrian refugees to Turkey has become a sensitive and rather controversial issue. Press coverage and public perception are negative and there are many misconceptions about refugees and their employment. The highly politicized context does not encourage private sector engagement and as a result, Turkish businesses have mostly been hesitant to engage with the refugees.

The Syrian Refugee crisis has elicited a strong political discourse of solidarity and humanitarian assistance, but more needs to be done for this discourse to evolve into a full-fledged social inclusion, livelihood recovery strategy.

Companies are requesting more clarity on policies and information that will help them make informed decisions. CBI Turkey can therefore play an important role as a broker, facilitating more constructive information exchange between the government, humanitarian and development actors and the private sector.