

Integration of Returnees in the Afghan Labor Market



An Empirical Study
Altai Consulting - October 2006

SUMMARY REPORT

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Introduction

Since the end of the Taliban regime in 2001, Afghanistan has experienced a massive return of refugees with more than 4.5 millions Afghans returning from neighboring countries (Iran and Pakistan), half of them having returned to the Provinces of Herat, Nangarhar, and Kabul. There is a major interest to understand, after four years, how these returnees have been able to reintegrate in the labor market.

Altai Consulting was mandated by ILO and UNHCR to conduct research on the situation of Afghan returnees in order to assess the main patterns of integration in the Afghan labor market in 3 major Provinces of Afghanistan. This study is an integral part of the overall ILO-UNHCR "Cooperation Toward Comprehensive Solutions for Afghan Displacement" project launched in May 2004. The objectives of the Altai study were to:

- assess the socio-economic profiles of returned Afghan workers and managers
- analyse their integration patterns on the labor market
- identify key drivers of integration and obstacles
- assess the effectiveness of integration programs
- provide with perspectives and policy recommendations

The research, conducted in urban and rural locations of Herat, Kabul and Nangarhar Provinces was based on a set of quantitative and qualitative tools: survey of 600 households, 100 enterprises, 25 cases studies, 15 focus group discussions, and 15 key informants interviews.

I. Socio-Economic Situation of Returnee Households

1. Sampling

600 households were surveyed in rural and urban areas of Kabul (250), Herat (175), and Nangarhar (175).

2. Socio-Demographic Profile

Profile:

> 88% of interviewees were male, 12% were female, aged 14 to 88 years old (median age 41)

> 50% were Tajik, 32% Pashtu, 12% Hazara. Other ethnic groups were in insignificant size

> Mean number of people in the household was 6.9

Education:

Highest level of education of household members			
	Total	children < 16	adult
Illiterate	42%	34%	47%
Primary education	26%	50%	13%
Lower secondary education	12%	12%	13%
High school	13%	3%	18%
University degree	4%	0%	7%

Literacy is expected to increase significantly with the new generation (6 to 16 years old) since 74% of the boys & 65% of the girls go to school.

Housing & Facilities:

> 41% of households own their house whereas 38% rent and 12% of live in a relative's house

> Access to electricity (incl. generator): 56% in urban areas, 26% in villages near city, 8% in remote villages

> Access to a telephone: 32% of interviewed households (44% in cities)

Economic situation:

> Average household income 212 USD/month, expenditure 200 USD / month (23 USD / person)

> Revenue distribution:

→ 43% of surveyed household consider themselves 'poor' or 'very poor'

→ 35% cannot cover their expenses

Status	Revenue (USD)	% sample
Very low	0 <= 80\$	32%
Low	80 <= 150\$	27%
Average	150 <= 250\$	21%
High	250 <= 600\$	16%
Very high	600 <= 8000\$	4%

3. Before and After Exile: Evolution of Social Conditions

Conditions of Exile

> Country of exile: 63% of returnees went to Pakistan, 36.8% went to Iran

- > Main cities of exile: Peshawar (33%), Islamabad (5%), Teheran (21%) and Meshad (5%)
- > Settlements: 60% of interviewees lived in a city during exile, 28% in camps, 10% in villages
- > Period of exile: On average, households spent 10 years in exile

- > Reasons for return: 70% of household explain that they felt the need to come back closer to their roots. A small but significant number of returnees mention that they were forced to return.

Provincial Mobility

Provincial **mobility was relatively high**, in particular in the Province of Heart, where 30% of interviewed households were originally from another province (mainly Bamyán, Daikundi and Uruzgan). This trend of relocation and urbanization is mostly to be associated with a desire for better job opportunities and sometimes with security constraints.

Evolution of Financial Status and Living Conditions

Returnees perceive their financial situation as **wealthier before exile than after**. When asked to compare their current living conditions with the period before exile, opinions are extremely balanced between positive and negative, with 36% reporting their situation as being the same.

4. Impact of Exile and Perception of Return

Impact of Exile

In terms of personal, economic, and social assets, **exile brought gains and losses to most households**. Exile not only brought new skills (for 46% of respondents) as well as education, friends and connections, but opened refugees to new ideas and cultural diversity. However, a majority deplore the loss of their peaceful living (59%), as well as to a lesser extent their social relations in Afghanistan, their house or land, some family, some money, and part of their social prestige.

Assessment of Current Situation

In line with other indicators, a majority of surveyed households evaluate their situation as economically worse than other Afghans in their neighbourhood who stayed (53%), but they feel they have a better social status (48%), education, or skills level (54%) and strongly feel they have a better outlook for the future (80%).

5. Integration in the Afghan Labor Market

Current Working Status Across Returnee Households

> An average **1.5 people per household** are declared to be working, although only 1.2 receive a salary. This confirms figures given above which showed 75% of households had only one source of income.

> 45% of the income earning working members of household are either employers or self-employed, which reveals a real **entrepreneurial trend** among the surveyed returnees.

> 12% of children under 16 work, mainly as unpaid family workers (9%).

> Only 10% of adult women work, a quarter of this group being unpaid workers. Most other adult women are housewives (72%), except for a small portion who are students (14%).

> A total of 11% of the working force were identified as unemployed.

Return and Integration in the Afghan Labor Market:

> 80% of interviewees mention they had difficulties finding a job, stating that it took them on average one to six months to find it, although 36% of interviewed workers found a job in less than a month. Workers of very low-income households had more difficulties finding a job than workers of very high income households (62% stating it was easy or very easy).

> Networks were a strong driver of integration. Returnees mainly used their personal networks of friends and relatives (48%), as well as professional networks in their field (30%), to get information about jobs or to get a job directly. 10% were able to find a job through former employers.

> Main Sectors and Occupations:

Returnees integrated in most sectors although 3 dominate: Construction, wholesale and shops, and manufacturing. (See ISIC V.4 table below)

Sector classification of returnee workers / household survey				
ISIC V.4 Simplified classification	Total	Av. Income USD	Men	Women
A. Agriculture, forestry and fishing	2%	91	2%	
B. Mining and quarrying	0,3%	350	0%	
C. Manufacturing	13%	125	13%	5%
D. Electricity, gas, air conditioning	1%	194	1%	
E. Water supply; sewerage, waste management	0%	100	0%	
F. Construction	25%	139	26%	12%
G. Wholesale and shops (retail)	20%	287	21%	10%
H. Transportation and storage	7%	145	8%	2%
I. Hotels, chaikhans & restaurants	2%	187	1%	5%
J. Information and communication	1%	430	1%	
K. Financial and insurance (including banks)	0%	113	0%	
M. Professional & technical activities	1%	100	0%	2%
N. Administrative and support services	0%	120	0%	
O. Public administration and defense	9%	137	9%	10%
P. Education	7%	79	3%	43%
Q. Human health and social work	2%	155	2%	2%
R. Arts, entertainment and recreation	0%	140	0%	
S. Other service activities	2%	176	2%	2%
U. NGO/International Organizations	5%	371	4%	7%
Non specified	5%	215	5%	
N=660		180	N=602	N=58

- > Women are mainly employed in education, in shops and small services, and crafts.
- > Incomes: Lowest salaries are in agriculture (\$90/month), education (\$79/month), as well as among labor workers. Highest salaries are among managers of & senior officials (\$720/month) as well as in the International Organisations / NGOs sector.
- > Classification per occupation (*See ISCO 88 table*) shows that all functions are represented, with a third of returnees being employed at the lowest level of the occupation ladder, but a significant portion of returnee occupying high occupation (19% in categories 1 to 3).

Group classification of returnee workers / household survey				
ISCO 88 Classification	Total	Av. Income USD	Men	Women
0. Armed forces	2%	112	2,2%	0
1. Legislators, senior officials and managers	7%	720	7,0%	1,7%
2. Professionals	10%	121	6,0%	50,0%
3. Technician	6%	169	5,6%	6,9%
4. Office & customer service clerks	6%	217	5,8%	8,6%
5. Shops & market sales workers	17%	150	17,4%	10,3%
6. Skilled workers (agriculture)	1%	90	1,0%	0,0%
7. Craft & related trade workers	12%	166	12,3%	12,1%
8. Plant & machine operators	6%	129	6,0%	1,7%
9. Labour workers / elementary occupation	34%	122	36,7%	8,6%
N=660	100%	180	100%	100%

6. Support Programs: Needs and Reality

> Returnees came back with high expectations in terms of support programs such as basic needs support, financial support, and employment placement. Both the Afghan government and international agencies were expected to deliver this support.

> 76% declare having received assistance during their return process. Out of that category, 84% received help from UNHCR, with support primarily consisting of financial help (around 80-100 USD), wheat, and a tent. 12% received help from the Afghan government and a limited number from IOM.

> These programs were perceived by 89% of the beneficiaries as being insufficient. For a majority of interviewees, basic needs, financial support and job placement were not sufficiently covered.

7. Women and Integration

> The evolution of women's status within returnee households is perceived as being relatively positive. 43% see improvements and 45% consider it has remained the same. Social conditions and the living environment have improved or stayed the same, and the outlook for the future is optimistic.

> The working environment, in particular, has improved for 34% and remained the same for a majority. Not surprisingly, it is considered easy to find jobs for women of households with the highest income levels (47%), whereas it was difficult or very difficult for households with the lowest incomes.

> Expected support programs: According to 51% of the respondents, female returnees place the highest priority on skills and vocational training in order to be integrated in the Afghan labor market. Employment and financial assistance programs are also highly valued and reflect the significant interest among female returnees in entrepreneurial opportunities.

II. Afghan Enterprises and Returnees

1. Sampling

100 enterprises representing various sectors and sizes (public and private as well as NGOs) were selected in Kabul (50), Nangarhar (25), and Herat (25). A quarter of the enterprises were selected in rural areas. It is to be noticed that the sample included two-thirds of the enterprises selected headed by returnees in order to analyse their profiles and expectations.

2. Focus on Enterprises: Profiles, Constraints, and Opportunities

Size

Surveyed enterprises range from 1 to 5000 employees with a mean of 109 employees.

- Small (under 10 employees): 47 enterprises, with an average of 4.5 employees
- Medium (11 to 50 employees): 30 enterprises, with an average of 24 employees
- Large (over 50 employees): 23 enterprises, with an average of 433 employees

Establishment and Status

> Establishment: 70% of the surveyed enterprises were created after the fall of the Taliban

> Registration: Although a large proportion of surveyed enterprises reported that they were registered (88%), types of registration varied significantly across categories

Investment

> Initial investment varied considerably across categories of enterprises, from an average of 11,500 USD among small enterprises to an average of 443,000 USD for large enterprises.

> Family investment: Altogether 96% of surveyed enterprises have been created with the owner (64%) or his family's (34%) funding. It is to be noticed that for 5% of enterprises, family and friends living overseas were involved in the investment.

> In 3% of the cases, money was borrowed in the money market (lenders or hawala) but only for small amounts (300 to 1000 USD). In one case, a bank loan was the source of investment in the firm. In another case, a loan was granted by an NGO (micro-credit).

Classifications

The classification of enterprises shows a spread across 18 sectors of the ISIC V.4 classification of enterprises. The dominant sectors are **manufacturing** (42%), **wholesale / shops** (9%), **IT & communication / media** (9%), and **agriculture** (6%).

The manufacturing sector covers many types of manufacturing and all categories of enterprises: food products, beverages, textiles, leather, printing, chemical and pharmaceuticals, rugs / carpets, rubber and plastics, metal products, motor vehicles, transport equipment, furniture, and others.

Clients, Market, and Revenue

> Sales & revenue: The highest declared monthly sales were 560,000 USD for a construction / electricity company based in Kabul. The monthly mean revenue was 21,310 USD per month among the 57 enterprises willing to indicate their sales. The average revenue amounted to 5491 USD per month, or an average of 25% profit.

> Client Structure:

Proximity of the clients				
What % of your clients are:	Total	Small	Medium	Large
Individuals from the neighborhood	9%	14%	8%	0
Individuals from the city / village	35%	46%	31%	18%
Shops (retailers)	14%	14%	16%	13%
Other Afghan Enterprises	10%	5%	18%	12%
Foreign firms and indiv. In Afghanistan	11%	7%	12%	16%
Foreign firms and indiv. outside Afghanistan	3%	0,4%	4%	6%
<i>N=81, multiple responses.</i>				

> Evolution and Perspectives: **The evolution of activity is generally positive** across all sectors, even extremely positive in large enterprises where nearly two-thirds of interviewees consider their activity to have increased (even booming) in the last 6 months. Only 17% of interviewed enterprises report that their activity decreased in the last 6 months.

How would you assess your sector's recent evolution ?				
	Category of enterprise			
	Total	Small	Medium	Large
It is booming	47%	35%	57%	61%
It is increasing	18%	20%	17%	17%
It is stable	18%	26%	7%	17%
It is slowing down	16%	20%	20%	4%
It is disappearing	0	0	0	0

> Perspectives: 69% of respondents planned to expand their activities in the near future.

> The outlook on recruitment is positive in the surveyed sample, since 64% of enterprises planned to recruit more workers. This perspective is even stronger with medium and large enterprises, of which an average 76% planned to recruit in the near future.

> Obstacles to recruitment included an absence of funding as well as limited know-how by some heads of firms on how to expand their enterprises.

Employment structure and recruitment

A lack of precision on employment record and HR policy was observed across the board. This is in line with a general absence of formalisation in most Afghan enterprises.

> Women were reported to be 21% of employees (this high score is mainly due to the high rate of women employees in several large enterprises, such as one major surveyed Afghan NGO).

> Most employees were Afghans (97%), with a high rate of temporary workers (42%). Employees worked an average 46.5 hours per week, which is in line with the 8 hours per day / 6 days per week standard Afghan work week.

> Afghan enterprises tended to recruit informally through personal networks of employers and employees, sometimes through their business networks (27%). Only 6% of surveyed enterprises used job announcements.

Major Obstacles to Activity

> Access to financing was considered to be the biggest impediment to their activity and growth for 42% of enterprises (45% of small enterprises).

> Access to facilities was the second major obstacle to enterprise activity with access to electricity being viewed as the biggest obstacle to activity and growth for 23% of enterprises.

3. Returnees heads of Enterprises

> Exile country: 67% were in exile in Pakistan, and only 29% in Iran

> Duration of exile: Range was from 1 to 29 years, with a median at 11 years

> Education: Almost half of returnee heads of enterprises received an education during exile (46%), with half of them receiving it in Pakistan (slightly lower than the amount of people living in exile in Pakistan), others receiving it in Iran, or Europe (10% of them)

> 71% affirmed having received specific skills during exile, including craft and related trade skills

Professional evolution (before/after exile):

> Overall, 53% of the respondents who worked before exile believed their current situation is better or far **better than before exile**: 41% of respondents had a 'better' or 'far better' salary than before exile, 48% reported having greater responsibilities, 42% expressed they received 'better' or 'far better' respect.

> In general, respondents also experienced positive professional development **from exile to return**. On all indicators proposed (salary, responsibility, respect, working conditions, and stability of work), positive opinions were stronger than negative ones.

Impact of exile:

In line with general positive feedback on their return, 83% of returnee heads of enterprises believe exile gave them an advantage in their work over the Afghans who stayed. The main advantages include better education, learning to work in another country, learning English and computers, and also accruing and bringing capital to invest.

Those who believed exile put them at a disadvantage (only 9%) mentioned that they lost their land or house and a lot of money during that period.

Integration in the Afghan Labor Market

45% of returnee heads of enterprise declared having had some or much difficulty in finding a job. 23% did not have any difficulties. Despite having difficulty in finding their current jobs, 89% of respondents considered their current positions to be their preferred choice.

Personal networks were used to create a new enterprise or find a position by 37% of respondents (13% through family, 14% through friends). Networks from professionals of the same sector were mentioned only by 5% of respondents. Still, 32% of returnee heads of enterprise stated that they did not have any particular connections. Returnee networks were perceived as an advantage in creating a business by 40% of respondents.

Support Programs:

> Funding Only 7% of interviewed heads of enterprises (7 individuals) received business funding to create their own activity. The sources of funding mentioned included Relief International, IOM, and the UN.

> Access to business development services was extremely limited. 20% of interviewed heads of enterprises had access to banks but other services like micro-credit loans, insurances, training were rarely available in the surveyed sample of enterprises. None of the interviewees had had access to employment service centers.

> Support Required 92% of interviewees affirmed requiring support to develop their activity. This is in line with the main difficulties expressed for their enterprises, they primarily expected support in the form of access to banking services & loans (73%)

> Training needs:

Vocational training was the dominant answer (30%), followed by technical management training (e.g., business development, finance, and marketing).

4. Perception of Returnee Employees by all Heads of Enterprises:

Skills & recruitment perspectives: No real discrimination appears in favor or against returnees

> 51% of interviewed heads of enterprises considered that returnees had better skills than Afghans who stayed in Afghanistan. Among the advantages highlighted included a broader professional experience, better understanding of the job function, better skills, and speaking English.

> The handicaps pointed out for returnees in general were the loss of their property or money, the lack of opportunities to work in exile, and their limited knowledge of current Afghanistan.

> 47% of heads of enterprises were willing to recruit more returnees in the future. Skilled workers (47%) and professionals (28%) were the ones who were most likely to be recruited.

Migratory Patterns:

When asked if some of their employees decided to go back to their country of exile, only 16% of them answered positively.

Among the reasons given for going back into exile were 'better salary abroad' (38%) or 'better working conditions' (24%), as well as anecdotally "better social conditions", and "family is still abroad". Iran and Pakistan were the countries mentioned as migrants destination.

III. Existing Support Programs and Key Lessons after Four Years

A number of return and reintegration programs were developed in the last four years to encourage the return of Afghan refugees from the most vulnerable to the most qualified. A brief review of these programs with a focus on labor market integration programs is given hereafter.

1. Return from Neighboring Countries

> UNHCR Repatriation Program / Assistance Centers:

UNHCR Repatriation Program, is the largest repatriation project ever implemented in the world. It targets predominantly returnees from Iran and Pakistan and has assisted close to 4 million people return from exile. This program, as well as other “pure return programs” involving the MoRR and IOM, mainly consists in arranging the transportation from neighboring countries to Afghanistan and in the allocation of a basic support package.

At their entrance in Afghanistan, beneficiaries’ profiles are recorded in the VRF (Voluntary Repatriation Form) which allows the UNHCR to qualify the most vulnerable among returnees and to collect information about their education and professional skills. However, this database is mainly used for statistical and monitoring purposes, and no specific integration program is directly proposed to returnees. Although some information on Employment Service Centers and other programs is provided, UNHCR Assistance Centers cannot be considered as an entry point for integration programs.

> UNHCR Integration Components

UNHCR has developed complementary programs such as Cash for Work projects (CFW), Income Generating Activities (IGA), and Vocational Skills Training (VT). They represented 6.5% of UNHCR total budget from 2002 to 2005 (23 MUS\$). These programs were developed in collaboration with the MRRD and a number of local and international Implementing Partners (NGOs). The identification of target groups is mainly done once the returnees are settled in their final location, by local offices of UNHCR and MoRR, focusing on rural areas where job opportunities are scarce, and on the most vulnerable members of the communities.

In 2004, 53 Cash For Work projects and 39 Income Generations or Vocational Training projects were implemented, most projects focusing on small-scale animal husbandry projects, carpet weaving, craft making, carpentry, and community market-oriented agriculture.

> Integration of IDPs

Specific projects for the integration of IDPs (Internally Displaced People) were developed by IOM in coordination with MoRR, UNHCR, FAO, and WFP. IOM’s IDP Voluntary Return Program includes a reintegration package (basic goods and agricultural material to be able to restart a basic agricultural activity) and specific reintegration programs which are proposed to the most vulnerable returnees, including Income Generation and Cash for Work projects, literacy training courses, and Vocational Training.

At this stage, IDP programs do not have specific linkages with other organizations involved in labor market integration.

2. Return and Reintegration of Returnees from Western Countries:

Several types of return and reintegration programs for returnees living in non-neighboring countries were developed by IOM within the last three years. These programs, targeting smaller numbers of beneficiaries, have the advantage of guaranteeing continuity between return and reintegration. They can be classified as follows:

> Assistance for Voluntary Return (AVR):

AVR / RANA program started in August 2003, to facilitate the return of Afghan refugees living in European countries, targeting in priority refugees who have not been granted residence permits in their countries of exile. A similar program was developed for returnees from Australia and New Zealand. Altogether 4,000 returnees (as well as an additional 20,000 former combatants through ANBP program) have benefited from IOM integration programs within the past three years.

To support their reintegration, the beneficiaries meet a reintegration counselor on arrival in one of the IOM *Employment Assistance Center* and three main options are proposed to support their integration in the labor market:

- Integrate a 3-month training program (customized vocational trainings)
- Get a referral and access to job offers (IOM database)
- Small Business Start-up program (returnees create their own activities)

The start-up program has been the most popular thus far, with 700 beneficiaries receiving individual grants of up to 1800 USD to buy equipment or create the business structure.

> Return of Qualified Afghans

RQA (Return of Qualified Afghans) are initially based on identified opportunities in private and public organizations in Afghanistan and aim at building some capacity within Afghan enterprises.

Several RQA programs were developed by IOM in coordination with different donors:

- EU's RQA, funded by the European Commission (placement of 150 qualified Afghans)
- Global RQA, open to qualified Afghans from all countries
- Justice RQA, funded by the Italian government (targeting the Afghan justice system)
- RQA NC (Neighboring Countries), funded by the Danish Government, to bring back qualified Afghans from Iran and Pakistan was created more recently (2005)

Package: Each returnee identified by IOM offices in the country of exile is offered at least one position with an Afghan enterprise, as well as a plane ticket, an installation package (grant), and a salary that is supported by the program in order to offer attractive salaries that Afghan enterprises would not necessarily be able to afford.

A self-employed component allows returnee entrepreneurs to start their own activities, with access to grants up to 5,000 USD in the case of the EU RQA.

Rebuilding an elite: Of the beneficiaries of RQA programs, some have been able to reach the highest positions in Afghan enterprises and the Afghan government (e.g. several Ministers). Such programs contribute to the reconstruction of an Afghan "elite" which is necessary to the sustainable development of the country. In that sense, the RQA program can be compared to other recruitment services, such as ARTF Expatriates Services (funded by the World Bank) or UNDP's Tokten program, which aims to bring back qualified Afghans of the Diaspora. These programs are not by nature return programs, but similar to RQA programs they are an opportunity for Afghans living overseas to come back and participate in the general effort of capacity building.

3. Other Integration Programs

Aside from the returnee-focused programs, a number of other integration programs were developed in the last four years by several ministries and international organizations to support the integration of vulnerable target groups, including returnees.

> Employment Service Centers (ESC)

The Employment Service Centers project was initiated in August 2004 by ILO and MoLSA, and implemented by the German NGO AGEF. The project aims at providing information to job seekers about training opportunities and job placement, and to connect those seeking self-employment opportunities with micro-finance and business development services.

ESCs have opened their doors in Kabul, Jalalabad, Kunduz, Herat, Mazar, Jawzjan, Puli Khumri, Gardez, Kandahar and Ghazni. A pilot ESC has also been created within the MoRR, and collaboration has started with the Ministry of Women's Affairs and the Ministry of Martyrs & Disabled.

Close to 16,000 people visited ESCs in 2005, among which **1,200 were returnees or IDPs**. More than 5,000 job announcements were made in ESC by NGOs, public services, and private companies. However only **15 to 20% of these job offers have been filled**, since profiles of job seekers do not always correspond to the offers. It is to be mentioned that very few private companies are culturally used to using these types of services or even aware of their existence.

ESC tends to benefit the average-to-high categories of Afghan workers. By nature, they intend to provide job seekers with a qualitative and individualized service that cannot be developed immediately on a large scale.

> Returnee Components of other Development Programs

Most large-scale development programs such as NSP or NEEP also take into account the status of returnees, among other priority groups, although none of them focuses on them specifically. This is the case for the **National Skills Development Program (NSDP)** currently developed by MoLSA and ILO, which aims at building

capacity within MoLSA and coordinating several initiatives, such as Start Your Business (SYB), Expand your business (EYB), Community based trainings programs and an Assessment of the Afghan labor market (rapid assessment & long-term).

In general, a large number of programs have been created to foster employment in Afghanistan, which indirectly and without discrimination can benefit returnees.

4. Overall Positioning of Major Returnee Labor-Integration Programs

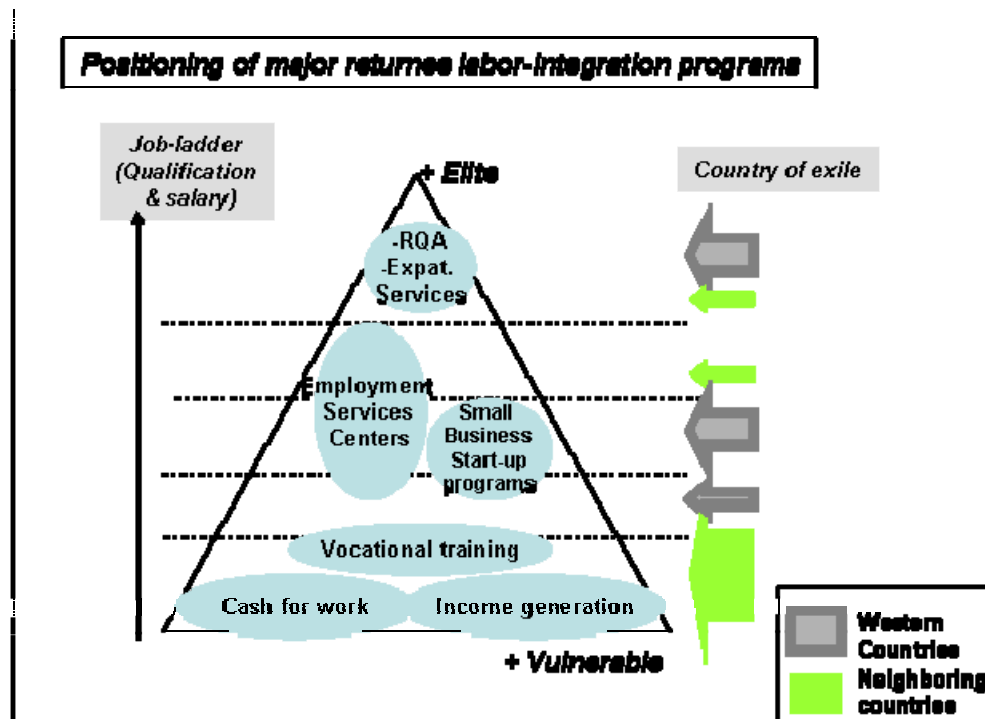
The different programs presented above tend to address returnees at different levels of the social and education ladder. Regarding their country of origin, and in general regarding their **entry-point in Afghanistan**, returnees have more or less access to different programs, which can be summarized as follows:

> **Vocational training, "cash for work," and income generation programs** target the most vulnerable with a priority given to those residing in rural areas, most of them returning from Iran and Pakistan through UNHCR repatriation programs.

> **Small business start-up programs** are mainly open to returnees returning from the EC and other western countries through IOM's AVR program.

> **Employment Service Centers** tend to cover higher positions on the job ladder, since most of the job offers available require a medium-to-high level of qualification, and individualized services cannot address a large number of beneficiaries.

> **ROA and Expatriate Services programs** address the most qualified, who are even offered positions prior to return. They were initially designed for returnees from Western countries. More recently, ROA NC opened this opportunity to returnees from Iran and Pakistan.



5. Lessons learned

Several comments can be made about support programs:

> **Coordination** among the different organizations that address returnee integration in the labor market is generally considered to be insufficient. This was the case when different government ministries started duplicating Employment Service Centers minimizing economies of scale.

> **Profiling and databases:** A better profiling of returnees on arrival (ideally in Assistance Centers) and a sharing of databases among the different partners involved could improve planning of integration programs, and can be used to channel some beneficiaries to specific programs at their entry in Afghanistan.

> **Training programs should take into account with social reality and market needs**

- **Lack of demand on the job market:** Many programs offer vocational training that does not take into account the real needs of the job market, and does not include any criteria of employment creation.

- **Rapid evolution of the market:** In some cases, vocational training programs were designed to address a specific market segment that more or less disappeared before the end of training.

- **Social limitations:** Women are sometimes trained in skills that they are not able to use due to their isolation and resistance of their family to work outside the home.

> **An individualized, qualitative approach** is generally recommended, although it involves massive resources. It is particularly adapted to self-employment support programs which require a better follow-up from the initial business plan to the business development phase.

> **Grant amounts for small businesses** should be relatively significant and flexible to allow entrepreneurs to create a diversity of businesses, i.e. some requiring higher structural costs than others.

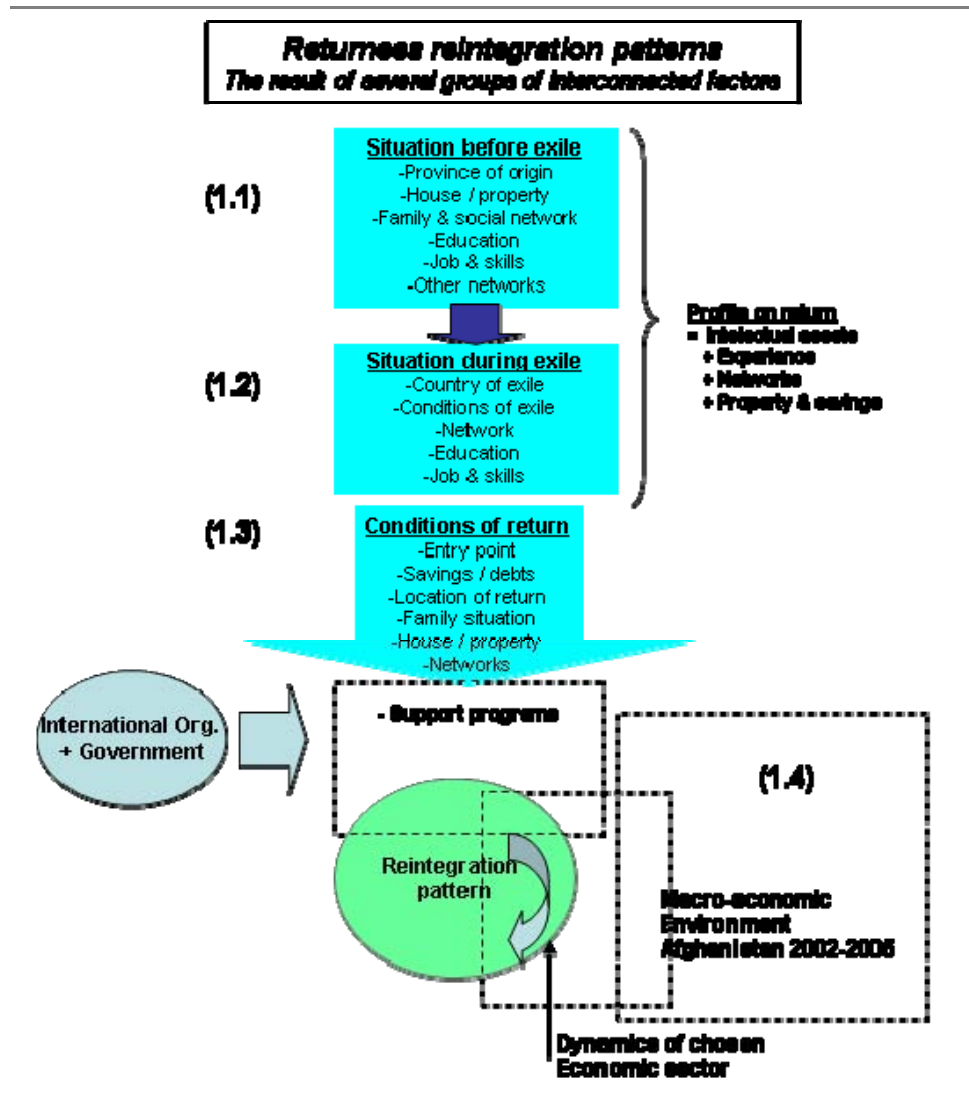
> **Discrimination based on entry point:** Some successful programs have been made available to returnees coming back through specific entry points are not available to others (e.g., small business start-up programs are only available for EC returnees) although their needs are the same.

> **Limitations to "Employment Service Centers":** Although they have become extremely popular, ESC started ran into some limitations, in particular with regard to the Afghan private sector. At this stage, many Afghan managers still prefer to rely on their social networks to recruit since they are considered to be more reliable. Hence, many managers are reluctant to publish job offers through a standardized system.

IV.Reintegration Patterns

Based on the analysis of case studies and focus groups, as well as on the key findings of surveys conducted among households and enterprises, a set of key drivers and barriers to integration, as well as several reintegration profiles (sub-groups), were identified.

Integration patterns are a complex combination of several factors represented below:



The reintegration pattern of a returnee will not only depend on his personal assets (education, skills, savings) before and during exile but also on his network before, during, and after exile, and on the conditions of his return. Purely external factors such as the dynamic of the chosen (or non-chosen) sector of activity as well as the general macro-economic environment in Afghanistan also contribute to the position a returnee will assume on the social/job ladder.

2. General Trends of Integration in the Afghan Labor Market

Although integration patterns vary among observed sub-groups of returnees, a number of general trends were observed through household and enterprise surveys, and confirmed by cases studies:

> **Returnees highly rely on their direct connections, i.e. social and professional networks, to find a job:** This “chance” to use a network –as it is often presented by returnees- is also a burden for the one who have limited social connections, or had to relocate in a new province. It is also a real limitation to the development of formal employment services.

> **Returnees express difficulties integrating on the Afghan labor market but were able to find a job in a relatively short time** and only 11% of the workforce of surveyed households declared they are currently unemployed, main reasons being lack of skills, few social connections, or non-availability of jobs.

> **Many returnees have to downgrade their expectations and take less preferred jobs despite their real skills:** The relative ability to find a job on return is to be balanced by the fact that a large portion of workers have to accept the job they are given on arrival. Many expressed their disappointment of not being able to find a job in line with their skills (e.g. women teachers working as shop keepers, kiln workers working in farms). Among surveyed enterprises employees, 40% would have liked to work in an other enterprise on return but had no choice, and 51% would create their own activity if they had access to funding.

> **There is a high sense of entrepreneurship among returnees.** This entrepreneurship trend is partly linked to the informal structure of the Afghan economy but can also be viewed as the “return effect,” i.e. restarting a new life is the chance to create their own activity for many returnees. Some integrated programs have been able to build on this trend in helping returnees to create their own business (IOM AVR Small business start-up program).

> **Some returnees were able to bring some savings from exile** which helps returnees in their first steps in Afghanistan and allow many a chance to start a small business. These savings are particularly needed for the one who have a limited social network, are not able to reconnect with their families after exile, or have no access to funding.

> **Returnees have some identified assets to integrate the Afghan labor market.** This was expressed by a majority of interviewed heads of enterprises, who believed returnees have a broader professional experience, a better understanding of the job, better skills, and, in some cases. the ability to speak English.

> Returnees were able to reintegrate in all sectors, and at all levels of the social ladder.

> Returnee workers interviewed in enterprises consider they have an overall better professional situation than before exile although their salary is lower. A majority consider that they receive more respect at work, have a better working place, and have more stability with employment.

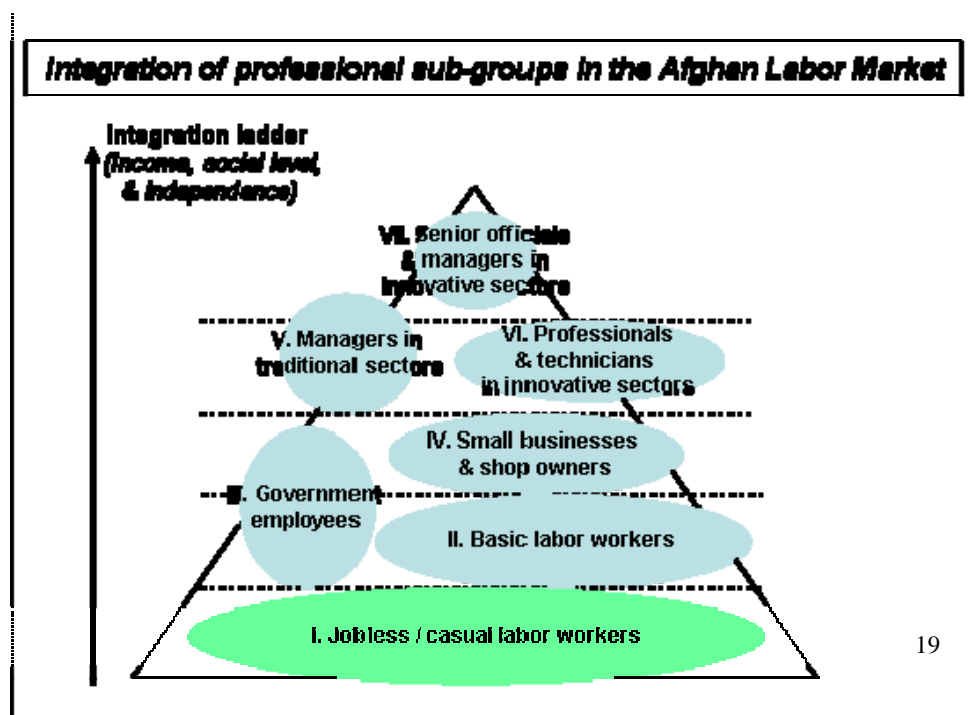
> Returnees are relatively well placed on the social ladder compared to their parents, and on average, their social and financial situation is quite similar to before exile.

> Access to finance, training (vocational, english, computer, management), and employment services are the prioritized needs expressed by returnees to support their integration in the Afghan labor market.

> Returnees are overall optimistic about their future: Although many returnees consider they are still lagging behind other Afghans in terms of economic situation, 80% of them believe they have a better outlook for the future than Afghans who stayed. An even larger portion (89%) consider that their outlook for the future has improved since they have returned.

3. Integration Ladder and Identified Sub-Groups

Beyond the general trends summarized above, a number of specific groups were identified from the case studies, presenting similar characteristics in terms of integration in the labor market. They can be positioned on a “Labor Integration” ladder, comparable to a social ladder for returnees. The position on this ladder results from a number of factors—including education, background and social network, ability to innovate or create activity, as well the dynamic of the field or sector as explained earlier. One of the major aspects to point out is that the different sub-groups are comprised of individuals with different levels of education, ages, as well as functions according to ISCO standards.



Group I. Jobless / Casual Labor Workers

Profile:

This group is the **most vulnerable** among the different identified sub-groups. It is composed of returnees with a low level of education as well as some specific cases of educated and skilled workers who failed in the integration process due to several handicaps.

Integration Patterns:

- Isolation: Some still live in returnee camps, others have chosen newly built suburban areas instead of returning to a rural life. This translates into three major barriers: Loss of their social network, loss of their house or property, and isolation from city centers where most job opportunities exist.
- For many, the result is a failure to integrate into the Afghan labor market. Men work part-time in a very unstable casual labor market; women either do not work due to social constraints or work in the most basic jobs. Sometimes children also work.
- Some family members, in this group, have already adopted a cross-border strategy, traveling illegally for several months to Iran or Pakistan where they can easily find a job with a former employer.

Support Programs:

Most of these groups have not benefited from any support; some have been involved in vocational training but have not been able to turn their skills into job opportunities, in particular women. This group is the one requiring the highest level of support, beginning with social support.

Perspective:

Some of them still struggle to get out of their situation through training and education. Some have lost hope and consider the possibility of going back permanently to their countries of exile.

Examples observed: Women in a poor neighborhood of Herat city, children working in a wool cleaning factory, unemployed female graduate from an income generation program, casual labor workers from a returnee camp, former government worker now casual laborer, etc.

Group II: Skilled & Non-Skilled Workers in Traditional Sectors

This group includes skilled as well as non-skilled workers who managed to get employed in traditional sectors. Most of them have learned some skills or basic know-how during exile.

Integration Patterns

- Most were able to find a job quite quickly after return. This is generally due to their social network, sometimes connections developed through exile, but also due to their flexibility and adapting to the Afghan labor market.
- Most have adopted livelihood strategies in diversifying their income and by combining several jobs for the same person, or in the same household. Unfortunately, in many observed cases, children cannot go to school due to the lack of family resources or because they have to work.

Integration programs

Workers in this group generally did not benefit from any support program, although many express their need for information on existing jobs corresponding to their skills and a better access to funding to be able to create their own business.

Perspectives

Workers in this group generally work hard and combine salaries but are not in desperate conditions. They can rely on their social network. Although some are tempted to go back into exile, mainly the youngest, most remain interested in seeing the country develop and more opportunities appear in the field of manufacturing or Afghan-based trade.

Examples observed: Kiln workers in Jalalabad, farmers of a village near Jalalabad, female carpet weavers in Jalalabad, casual workers in a block production unit.

Group III: Government Employees / Teachers

Several case studies and focus groups raised the specific situation of former or current government employees in ministries or in the education sector.

Integration Pattern

- Some former government employees with basic skills shifted to Groups I and II (see above), working in kiln production, as casual laborers, or as shopkeepers. A growing number of former civil servants have not been able to reintegrate their jobs after exile or have lost it since then.
- In general, salaries for those still involved in public services are among the lowest in the labor market and are often comparable to that of casual labor workers. This forces many government workers to have several sources of income, including basic jobs, as a livelihood strategy.
- General disappointment and misinformation: Many of them came back with the idea that their jobs would be granted and that salaries of civil servants would be raised.

Support programs and needs:

None have received specific program support for their integration. In general, this group raises an issue for current employees in the public sector - the need for retraining programs to recycle a large number of government workers in the coming years.

Examples in Case Studies and Focus Groups: Former government workers working as kiln workers, or living in a settlement in Kabul, teachers in Jalalabad, woman teacher in Hirat.

Group IV: Small Businesses / Shopkeepers

This group incorporates very small businesses as well as more successful mid-size businesses with a significant number of successful females. In all observed cases, self-employment is made possible by a combination of personal ability to take initiative and some external positive factors.

Integration Pattern

- Most returnees started their own businesses immediately upon return or after a short period of unemployment, allowing them to assess needs in the Afghan market.
- External factors allowing for business start-ups include saving from exile, or assistance from a family member, bonding a piece of land to get a loan, or external program like IOM AVR/ RANA.
- In most cases, businesses were up-and-running, quite successful, and sometimes reached levels of revenue which far exceeded expectations (e.g. women beauty salons, 200 to 1000 USD income/mth)

Support programs & needs: Some of the observed small businesses have benefited from support programs (IOM). Other express clear needs for adapted loans and funding, infrastructure (electricity, transportation), as well as regulations (standards, trade tariffs).

Perspectives: The mindset of small business owners is rather positive. Observation of this group shows that small business strategy can pay and even bring a better income and independence for workers compared to many other jobs. It often comes like the best alternative even for some very educated returnees.

Examples observed: Female beauty salons (Kabul, Jalalabad), shopkeepers, fabric retailer, female home baker, car repairman, self-employed clothes importer and retailer, etc.

Group V: Managers in Traditional Sectors

This group is mainly composed of male returnees running medium size enterprises in traditional sectors—manufacturing, trading, and confectionery. Most have developed their skills and developed a professional network during exile.

Integration Pattern:

- These managers, either newly established or running a family business, have shown a great ability to use their experience in exile and adapt their activities to the new Afghan market. They have brought ideas of businesses from exile, better production processes and quality products, and are able to adapt to the tastes and needs of Afghan consumers or international organizations.
- In most of the observed cases, managers have a strong social and professional network that often allow them to access credit during their starting phase and also find partners and employees.
- Most keep connections with their country of exile, some continue trading with these countries.

Support Programs: Overall managers do not expect any external support and have been able to create or develop their activities independently. However, few are aware of available loan mechanisms, which is the main limitation to the development of their activities.

Perspectives: Managers in traditional sectors are critical for the development of the Afghan economy. They have proved their ability to integrate and recruit other returnees. Although they are relatively independent, access to loans and infrastructure will be key factors of development.

Examples observed: Managers of a confectionery, a soft drink factory, a trading business, a cement block production unit, a refrigerating display cabinet workshop, etc.

Group VI: Professionals in New Sectors

Profile: This group is mainly composed of young educated returnees who have successfully integrated into the Afghan labor market. They are involved in technical or professional positions, aid organizations, or innovative sectors. They were raised in Pakistan and Iran, educated until secondary school or university, can speak English, and have computer skills.

Integration pattern:

- Most of them have strong networks to find jobs, and are aware that job announcements are available at the Employment Services Center and other organizations. Finding a job is not an issue, and they have access to high salaries (250 USD to 1000 USD).
- Given their high salaries, many of these young professions have become the main breadwinners of their families, which tends to challenge traditional power structure within Afghan families.

Perspectives

- Some in this group are happy to work in Afghanistan and respect their family traditions. Others are more critical about Afghan society. They have high expectations regarding the rule of law, expect good education, and desire a higher quality of life. They are used to urban centers in neighboring countries, have sometimes traveled to western countries, and find life in Afghanistan "boring."
- Many in this group will not hesitate to emigrate back to a neighboring country or even to Europe or North America. Very well informed, they are able to complete an instantaneous comparative analysis of opportunities across different countries, including salaries available, the costs of visas, illegal immigration, and complexity of access.
- At this stage, they have better salary opportunities in Afghanistan than they would elsewhere. But many believe it will not last, and considering the high cost of living in urban centers, they might reach a tipping-point where it would be more ideal to leave.
- There is a risk for Afghanistan to lose these young and educated people if the country cannot adapt to retain them with higher salaries in the private sector and in public services.

Examples observed: Young urban returnees in Kabul, IT assistant in an International NGO, Salam Watandar journalists, Ikub Consulting Firm.

Group VII: Managers in New Sectors / High Ranking Officials

Profile: Most of the individuals in this group were in exile in Western countries, where they were educated and worked in medium-to-high level positions. They have a full understanding of the Western system, speak English fluently, have computer skills, and have ideas about marketing, communications and media, or backgrounds in business and economics.

This group includes people over 35 who have been able to access high level government jobs as well as younger Afghan managers or high-level professionals. They do not consider themselves “returnees”. They are primarily of the Afghan diaspora in western countries and generally keep one foot in their country of exile.

Integration pattern:

- Most came back on their own to assess the situation in Afghanistan and some through RQA or Expatriates Services (ARTF) programs.
- Afghan reconstruction and international funding has provided them with key positions or opportunities that they could not have hoped for in exile. They triumph on two levels: Getting a better education abroad than those who stayed and returning with greater opportunities.
- Some have taken advantage of their know-how in specific sectors (communications, fashion design, and interior design) to create their own businesses. Internationals are their primary clients, either through services or through luxury goods.

Perspectives

- This group does not have direct needs in terms of support programs. However, the key challenge will be to keep them in Afghanistan to ensure a transfer of skills and some capacity building within the Afghan private sector and in public institutions. There is no guarantee they will stay when aid money starts to decline.
- For these returnees, one of the key requirements is a better quality of life. Unlike Group VI, they have access to restaurants and hotels for internationals. However, they express the need to leave Afghanistan often since they are not used to the local way of life. This is particularly the case for women in this group who feel constrained in the Afghan society.
- The “tipping-point” for this group is a combination of quality of life, access to responsibilities, and high salaries (over 4,000 USD).
- The capacity of Afghanistan to retain these qualified returnees will greatly depend upon the future development of the Afghan economy and the capacity of the Government of Afghanistan to implement civil service reform and guarantee attractive salaries to the most qualified.

Examples of profiles: Female founder of a communication agency, beneficiaries from RQA Program employees in International Organizations, lawyer with leading telecommunication company, manager of leading TV / radio station, high-level Government employees.

V. Perspectives and Recommendations

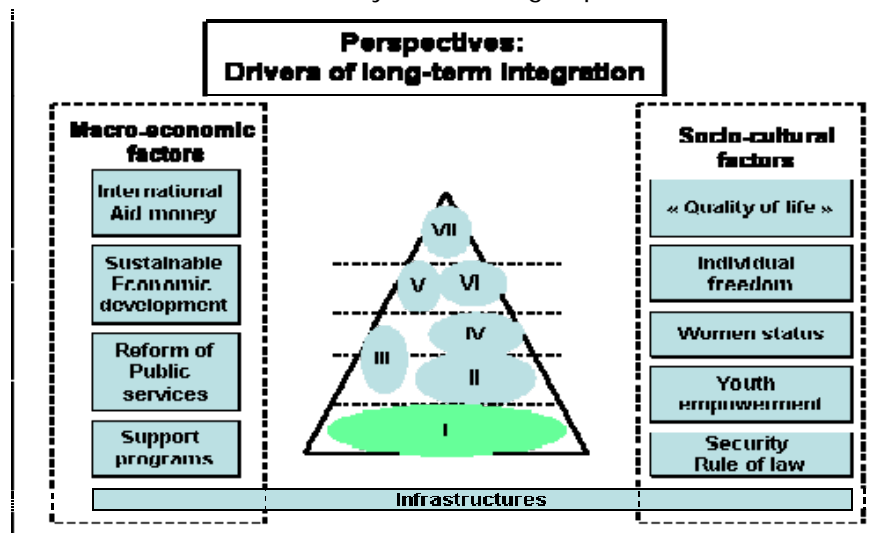
1. Impact of Returnees on the Afghan Labor Market and Economy

At this stage of Afghanistan's development, it is difficult to assess whether the massive influx of workers returning from exile will overall support the development of Afghanistan or, on the contrary, jeopardize the sustainability of the country. Many of the key informants expressed their concerns about the capacity of the Afghan labor market to absorb the current and future flows of returnees, as well as other target groups. However, a number of key assets brought by returnees have already had a **positive impact on the Afghan labor market and economy**:

- > **New Skills:** Returnees are generally seen as bringing valuable skills on the labor market.
- > **New business ideas and market approaches:** These innovations tend to foster initiatives and boost the Afghan economy.
- > **Formalization of business/standards of quality:** With pressure from some of the returnees who are used to having more formal business standards, the Afghan system could evolve towards more optimal processes, and more formal business approaches.
- > **Entrepreneurship:** Returnees show a high ability to create small or medium businesses and generate jobs. Overall, they have been able to challenge traditional models and bring a wind of change to the labor market and economy.

2. Integration of the Next Wave and Long Term Integration

For all returnees, their integration in the long run will highly depend on the evolution of the Afghan economy as well as on several other factors such as quality of life in Afghanistan, security, social changes, and existing opportunities in neighboring countries. These factors affect in different degrees the different socio-economic groups analysed earlier. Socio-economic concerns are particularly strong among the highest levels of the social ladder who often have experienced a very different lifestyle. Infrastructure, on the contrary, affects all groups.



Staying or Leaving Afghanistan: The “Tipping Point”

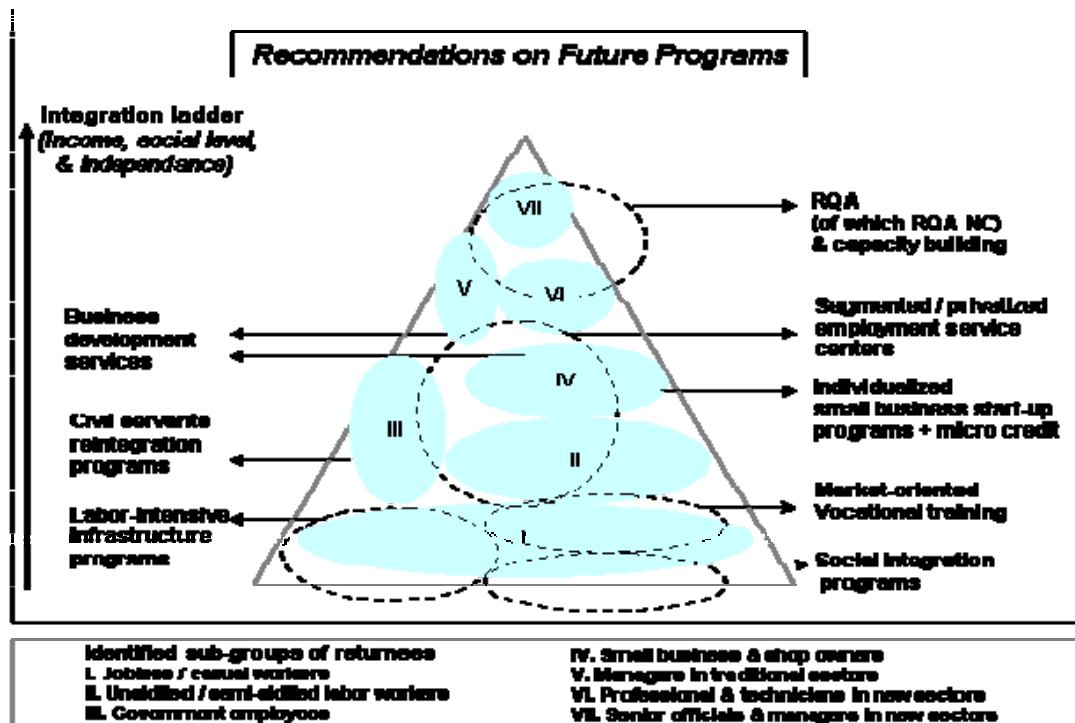
As a direct result of the factors mentioned above, we can observe that a significant portion of the returnees of several sub-groups are balancing options- staying, leaving Afghanistan, or adopting a flexible way of life between Afghanistan and other countries. Between these three options, the line is often very thin, and there is a “tipping point” where one factor or another can drive the decision. The current strength of the Afghan economy pushes many of these returnees to stay, since they have access to better job opportunities in Afghanistan than in other countries. But this decision is made despite a general disappointment in terms of “quality of life”. For these categories, the tipping point might be reached at the time international funding declines. Tipping points, across the board, are connected to a combination of personal and external factors.

3. Recommendations

The integration of a majority of returnees in the Afghan labor market is in various stages. While some still struggle, many of returnees have already found their place in Afghan society. The analysis provided leads to the identification of several obstacles to integration and some specific sub-groups who require temporary or permanent assistance through support programs.

Furthermore, the recent census done in Iran and Pakistan shows that more than 3.5 million Afghans are still living in neighboring countries (940,000 in Iran and 2.6 millions in Pakistan). A large part of this population has been in exile for more than 20 years and is employed in low skills jobs. They will, therefore, require further assistance and probably new integration approaches at a time when the Afghan labor market is close to the limit of its capacity of absorption.

Bearing in mind the current patterns of integration and successful models of support programs, recommended programs/actions can be represented as follows:



As a general recommendation, all programs should target individual sub-groups among the returnees, since each has specific needs and potential. The following recommendations take into account existing programs among which many have been identified as being well targeted and already successful.

> **Social Integration Programs:** For the most vulnerable among returnees, labor integration should start with social integration, including housing and social assistance, and working members of the households need dispersement of up-to-date information about job opportunities and existing labor-oriented programs. They often do not know any alternative to casual labor.

→ Primary targets: returnees living in settlements and relocated returnees in poor neighborhoods

> **Labor-Intensive Infrastructure Programs with an Integration Component:** Similar to many existing programs (e.g. NEEP), returnees should continue being involved in labor-intensive infrastructure programs. An individualized follow-up on these programs with opportunities to integrate sustainable reconstruction programs or linkages with the private sector would be extremely useful for low-skilled returnees.

→ Primary target: Low-skilled illiterate returnees

> **Market-Oriented Vocational Training Programs** take into account the existence of markets in the near neighbourhood, as well as available infrastructure (transportation facilities) and cultural obstacles (women's status) in order to propose realistic integration solutions.

→ Primary target: Low skilled returnees with a focus on women

> **Civil Service Reintegration Programs:** In anticipation of future public service reform, and in order to address the current difficulties faced by low skilled civil servants, several options could be explored at this stage:

- Encourage voluntary civil sector departures and prepare future reforms through integration of after-hours training modules within public institutions. Training could include *Create Your Own Business* modules, English courses, computer courses, information on the Afghan labor market.

- Build on part-time working hours of civil servants to create bridges with the private sector.

→ Priority target: Civil servants

> **Individualized small business start-up programs with market study, micro-credit, and training components:** Several modules could be added to existing programs (e.g. IOM AVR), which require strong coordination among several organizations. These include linkages with micro-credit organizations with adapted loans, development of market study modules and trainings, as well as other types of management trainings.

→ Primary target: Returnees willing to create their own businesses across all sub-groups.

> Business Development Services, leverage returnee managers' good will:

Few Afghan enterprises currently benefit from access to business development services. Beyond priority needs (access to loans and banking system as well as basic infrastructure), other business development services such as employment services and business licensing are needed. Interviewed returnees were particularly keen on incorporating these formal practices into their business practices since they have experienced such services in other countries.

→ Primary target: Returnee heads of small, medium, and large enterprises

> Specialized and Privatized Employment Service Centers (ESC)

Employment Service Centers have proved their success and should be extended to most sub-groups of returnees, as long as specialized ESCs can be created. Several obstacles need to be addressed:

- Promotion among private sector managers: Identify levers and barriers currently existing with Afghan managers and develop a massive public information campaign to reach private sector actors and start shifting the mentality towards formalized practices and the use of ESC.
- Specialization: ESC should be specialized across sectors and take into account the type of job offers within the sectors. Within each specialized service center, specific training programs and individualized follow-ups could more easily be proposed.
- Privatization: ESCs have a limited capacity of absorption. One way to restrict the cost of the development of such programs is to create a legal framework for employment services and incentivize private agencies to develop such services.

→ Primary targets: Sub-groups I, II, III, VI and sub-groups IV & V on the job offer side.

> RQA / Capacity Building:

- Strengthening RQA programs, in particular for returnees from neighbouring countries.
- Building and keeping capacity: A limitation of RQA components is that beneficiaries do not always stay in Afghanistan after their initial contract; several options are recommended within these programs:
 - Better incentives to ensure capacity building within the targeted institutions
 - Linkage with private sector and entrepreneurship programs in order to encouraged Qualified Afghans to stay in Afghanistan at the end of their contract through other channels

Conclusion:

The above are examples of developments and improvements that could be explored, often based on existing successful programs. Their feasibility will of course depend on available budgets and on the ability of the Afghan private sector to collaborate.

These programmatic opportunities cannot be considered without first keeping in mind other aspects of the development of the country that will create better conditions for returnees to integrate and stay in Afghanistan, which have been mentioned in this study.

Beyond programmatic recommendations, other questions involving policy making and agreements with other countries should be raised, which will be critical in the coming years.

For the returnees who wish to go back and work abroad, it will be key for the Afghan government, the international community, and the main countries of exile to define the status of temporary or permanent migration, in order to restrain the flow of illegal trans-border workers.

For those who remain outside the country there are lessons to be taken from the return of the "first wave" and a major question regarding absorption remains. With a limited capacity to absorb all workers living abroad, should Afghanistan encourage other returnees to come back or try to build a more flexible model with neighbouring countries?

Other research projects focusing on trans-national issues will help identifying patterns of migrants and trans-border workers and will hopefully shed more light on this issue.