Trends, Composition, and Demographic Structure of Haitian Employment:
Census and Policy Analysis from 1971 to 2003

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This Thesis titled
Trends, Composition, and Demographic Structure of Haitian Employment:
Census and Policy Analysis from 1971 to 2003

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ABSTRACT

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This thesis analyses the development policies implemented and executed in Haiti and their impacts in creating or jeopardizing employment. It uses data from the 1971, 1982, and 2003 censuses in order to find the approximate trends of unemployment and argue whether or not the different economic policies have been employment friendly or faulty. The research has found that while the policies have been inadequate in their quest for full employment, the rate of unemployment has been decreasing in Haiti. The reason is that most of the employed people work in the informal sector, which suggests a very high level of underemployment. This study also finds that the major determinants of unemployment and underemployment are the absence of employment policy and the lack of a social safety net. Therefore, the policies have enhanced the “informalization” of the economy, which is an avenue to explore in the future when studying unemployment in Haiti.

Approved: ________________________________

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CHAPTER 1: INTRODUCTION

1.1- Problem Statement

“Haiti is the poorest country in the Western Hemisphere” is a statement well known by many people, particularly by those interested in economic development. Without trying to ask for a takeover by another country in the Western Hemisphere, it is important to study the problems that Haiti is facing and try to bring solutions that will allow its citizens to have better lives. Saying that Haiti is the poorest country in the Western Hemisphere, however, does not mean a lot to first-world people who have never left their countries in Western Europe, United States, Canada, and even to some people from the same region, like those from Barbados. Underdevelopment in Haiti refers to an issue in which the majority of the population cannot afford a meal per day, does not have access to latrines, sanitation, clean water, or waste disposal services. In 2009, Haitians are still sleeping by turns in neighborhoods where electricity represents some hours of luxury. These problems suggest a vicious cycle in which Haitians are living with more garbage that will make them sick and poor than goods that they desperately need.

Compared to Haiti, the Dominican Republic, which shares the same island, is an emerging country in the dimensions of the Asian tigers of the early 1980s. This contrast invites researchers to study the reasons behind Haiti’s chronic underdevelopment and abject poverty.

To understand the extent of poverty in Haiti, one has to look at some of the country’s development indicators. Haiti is the poorest country in the Western Hemisphere where 78% of the population is living with less than two dollars a day and 54% of a
population of nine million is living in absolute poverty, on less than one dollar a day (UNDP 2008). In 2008, 65% of Haitians were still below the poverty line, 17% of the children were undernourished, and the infant mortality was the highest in the Caribbean, at 40 per 1000 (UNDP 2008). When it comes to the unemployment rate in Haiti, it is a total confusion; the UNDP Development Report (2008) leaves this index blank. This suggests a total ignorance of the numbers in the labor market in Haiti as the same observation is valid for the leaders of the development projects in the world including the World Bank, the International Monetary Fund (IMF), and particularly the International Labor Organization (ILO). Moreover, Haitian institutions including the Ministry of Social Affairs and Labor (MAST), the Finance and Economic Ministry (MEF), the Plan Ministry and External cooperation, and the Haitian Institute of Statistics (IHSI) do not have recent trends of unemployment for the country. This shortfall captures the attention of researchers in their quest to, on the one hand, find the determinants of Haiti’s underdevelopment, and on the other hand, propose solutions.

There are many ways to approach Haitian poverty: social, political, environmental, religious, etc. However, many people will agree that the major problem that Haiti faces is economic development, to which all the others are secondary. The United Nations’ Millennium Development Goals (MDGs) (1995) state clearly that the first goal is to end poverty and hunger. All the eight goals are in one way or another linked to income. As Mankiw (2007) argues, income is the best recipe for happiness. In this context, it is critical for all countries to create mechanisms to allow citizens to not only earn income but also to have a decent income to cover their basic needs. The three
targets of the first Millennium Development Goal openly promote employment as a necessary condition to generate income. The first target is to “halve, between 1990 and 2015, the proportion of people whose income is less than $1 a day” (p.3). The second target aims to “achieve full and productive employment and decent work for all, including women and young people” (p.3). The third one is to “halve, between 1990 and 2015, the proportion of people who suffer from hunger” (p.3). While the first and the third targets make the involvement of employment implicit, the second target is explicitly the road map to policy toward full employment. Economic development policies in Haiti, when they exist, omit the necessity of having an employment policy. Therefore, the major problem is that income, the basic element to improve the living conditions of the population, is lacking.

Considering that employment is the generator of income par excellence, the general assumption is that the majority of Haiti’s population is either unemployed or underemployed. That is, the economic development policies so far have not created enough jobs to generate income for the population. Saying that enough jobs have not been created leads to another problem: the unemployment rate. What is the unemployment rate in Haiti? This question does not have an accurate answer, as the major sources cannot provide such an indicator. However, it is clear that unemployment in Haiti is very high. With an informal sector composed mainly of open markets and subsistence farming, accounting for more than 80% of the labor force, underemployment certainly hides the reality of the labor market. Thus, one question that is worth asking and finding an answer to is: how can the living conditions of such a population be improved?
In addition, given that, subsistence farming is the leading sector of employment in a country that is subject to drought and tropical depression every year, what are the alternatives to jumpstart the economy?

The role of the state is to provide a social safety net system to meet the basic needs of its population. This implies creation of a range of institutions including social security, a labor department, a welfare bureau, and insurance and healthcare companies to assist the population, particularly the most vulnerable. In this aspect, Haiti was always worse off than its neighbors in the region; most of these institutions are either ineffective or nonexistent. Thus, Haiti has been struggling for generations, if not centuries, to play its role of a welfare state. From the Marshall Plan in 1947 to the project HOPE in 1995, trillions of dollars have reached the different government administrations that Haiti has known in its history. The most prestigious development agencies have given technical assistance and development aid to Haiti for generations, yet the promise of development has become illusory. Some people think that Haiti fits the profile of failing state rather than developing country. Since its independence in 1804, there has been no substantial improvement of the living conditions of its citizens. These facts lead to an analysis of the past policies to find their impacts on the present situation and see if a “cure” is possible for the near future.

Trying to find the unemployment rate for Haiti requires precaution when dealing with available information. Certain sources suggest 70% and others report a different rate of 7.5% in 2006, which is even lower than the unemployment rate of some Western European countries. This makes tracking unemployment in Haiti very difficult and
complicates the analysis of researchers interested in the labor economics in Haiti. One way of finding out which source has more credible data might be just to look at a picture of Port-au-Prince, the capital and largest city of Haiti, any time before 8:00 p.m. The number of people one will see in the streets of the city doing nothing reflects the tendency, which is probably along the higher values of unemployment rate. This is to say that the unemployment rate in Haiti, added to the underemployment rate, can easily be at more than 70%. Under these circumstances, Haiti is condemned to struggle to overcome hunger, illiteracy, child mortality, maternal mortality, corruption, political instability, etc. and it puts Haiti in a vicious circle that generates one problem after another.

The constitution of Haiti was amended or more accurately, re-written in 1987 to better shape the development project and the well-being of the citizens. This was a tentative legal framework to achieve prosperity for the nation. In its preamble, it states that this constitution (1987) is proclaimed in order to:

- Strengthen national unity by eliminating all discrimination between the urban and rural populations, by accepting the community of languages and culture and by recognizing the right to progress, information, education, health, employment, and leisure for all citizens.
- Setup a system of government based on fundamental liberties and the respect for human rights, social peace, economic equity, concerted action, and participation of all the people in major decisions affecting the life of a nation, through effective decentralization (Haitian Constitution 1987:1).
However as the saying in Haiti goes, “constitution is paper and nothing more.” The difference between the rural and the urban areas is shocking, the deforestation of the country is aggravating, and the living conditions of the population are worsening. In the meantime, the richest 10% control 70% of the wealth of the country, and this makes Haiti one of the most inequitable countries with a Gini coefficient of 0.59 in 2000. Haiti scores lower than its neighbors in all the development indicators. In addition, Haiti is a sad champion of corruption, is one of the most difficult places in which to start a business, and is a country where uncertainty rules as principle. The population is still growing at a high rate, the illiteracy rate is approximately 40%, and the internal migration to the urban areas is uncontrollable. In most rural areas, the growth rate of the population is negative because, even though the natural increase there is high, it cannot compensate for the migratory flux of population to the urban areas. Because the migrants’ preferred destination is the Metropolitan area, it has become crowded. This situation, in turn, results in an “organized” chaos: housing problems, insecurity, and insalubrities to name a few. All these problems stem from the high rate of unemployment in the country, in general, and in the rural areas, in particular.

1.2- Goal and Justification

This thesis will address the unemployment issue in Haiti and its contribution to underdevelopment and poverty. In addition, it will examine the impact of weak and non-existent institutions on employment in Haiti. It will attempt to analyze in-depth why, despite all the policies implemented, Haiti is still facing a high rate of unemployment. In addition, it will explore the differences between the development policies from 1971 to
2003 and their effects on employment. This question requires a comparative policy analysis for the different periods of reference. Finally, this thesis will briefly compare Haiti to the Dominican Republic to determine the disparities in terms of institutionalization of employment.

While there are many reasons to analyze the labor market/employment in Haiti, this study is important for three main reasons. First, there has not been much research on the labor market in Haiti in recent years. Most of the studies on Haitian unemployment were made before the last two censuses in 1982 and 2003. Second, this study will analyze employment in Haiti in terms of public policy, which is supposed to be setting up the guidelines for achieving the Millennium Development Goals. Most of the studies on Haiti neglect this approach, which is crucial in economic development policy. Finally, this thesis advocates for concrete employment policy and institution building to eradicate poverty in Haiti.

1.3- Literature Review

According to the 2008 Millennium Development Goals annual report, reaching full employment in the world today remains a difficult task. The report from the United Nations Development Program (UNDP) (2008) suggests that government should create solid institutions in developing countries to implement policies to integrate the population, particularly women, in the labor force without depriving them of their family lives. It is clear that Haiti is not going to achieve the first goal of reducing poverty by half in 2015, but it is disturbing to notice that little is being done to change the situation. The reality behind employment in developing countries is that the head of a household is
usually the one who works and provides for his large family, despite his meager salary. That is, there are no institutions to take care of the disabled population, the unemployed, and other vulnerable groups in Haiti. Therefore, the size of the inactive population plus the unemployed represents a burden to the active employed. Many macroeconomic researchers point to the lack of factors of productivity such as capital and technology to characterize limited development in developing countries. There can be many ways to analyze economic development and unemployment in Haiti. Yet, many will agree that there are three relevant approaches upon which the available literature is based: political (Lundhal, 1982; Weinstein & Segal, 1990; Déjoie, 2003; Cadet, 2006), economic (Lundhal, 1979; Fass, 1988, de Soto, 2000; Summers & Thomas, 1995; Sachs & Warner 1997; Helleiner 1997; Sachs, 2004; Mankiw, 2007) and sociological (Barthelemy, 1991; Latortue, 1997; Aristide, 1999; Déjoie, 2003; Cadet, 2006). In fact, this thesis will look at development in a holistic way. Therefore, the literature from some contemporary authors of sustainable development (Sen, 2000; Sachs, 2004; Stiglitz, 2003) will be very important to understand the matter.

In the sections that follow, I discuss briefly the three different approaches. First, I address the political approach, which explains Haiti’s underdevelopment by the failure of its political establishment from independence to present day. I refer to the most recent literature without excluding their references to the past. Next, I review the economic approach of Haiti’s struggle to achieve sustainable development. While these findings are based on other developing countries, they have similarities to the Haitian economy to explain its lack of development. This economic approach suggests that developing
countries have failed to succeed in capitalism because the capital that they have generated is not properly valued. The institutions needed to implement strong employment policy and create a social safety net system are missing or non-existent. Finally, I present the view of the sociological approach, which places more emphasis in the marginalization of a particular group of people in the Haitian society.

1.3.1- Politics: The roots of institutional failure

Most of the researches on Haiti so far have prioritized the political aspects of its underdevelopment over any other approaches. The document *Economies of the World* (2005) gives a chronology of the different political events that Haiti has experienced since 1957. This places emphasis on the necessity to analyze employment policy through a political approach, among others. This approach makes sense since politics are responsible for policy. Therefore, any instability in the labor market will have resulted from ineffective or absent institutions to implement employment policy. In fact, instability has been the most salient characteristic of the political system in Haiti since 1804. According to Etienne (2007), from 1986 to 1990, Haiti was in chaotic democratic transition with aborted and successful coup d’état. The preceding and the succeeding periods 1971-1986 and 1991-2004, part of the period of reference for this study, were also marked by instability. The former refers to the dictatorship of the Duvaliers and the latter to general chaos after a bloody military coup and a “political yo-yo” in which anarchy prevailed despite the assistance of the international community. This political situation left little time, if any, for economic planning toward full employment.
Most of the supportive arguments to the political approach of underdevelopment in Haiti come from Haitian intellectuals or intellectuals who have spent some time in Haiti. Cadet (2006) considers underdevelopment in Haiti as the “sinking of the State.” His point of view is that, generally, Haitians are fascinated by power to fulfill their ego; this is the success of individualism to the detriment of collectivism. Excluding the founders of the nation, Cadet (2006) thinks that all the past and present leaders have managed to make Haiti what it is today: a failing State. From that, one may approach the failure politically to show that there was no room for development planning due to overwhelming focus on planning for the conquest of power. He reviewed the different periods of political turmoil that Haiti has known since its independence and argued that all problems in Haiti can be attributed to politics, which make the concept of State non-existent.

The data available from the World Development Indicators (WDI) from the World Bank can support these ideas by analyzing the trend of different indicators. That is to say that the political approach can help explaining the chaotic situation in Haiti since its independence. Although an economist, Déjoie (2003) commented on the problem from the same standpoint by saying “Haiti is poor today because of the systematic looting of its resources by the successive governments from 1804 to date” (p.18). He noted that sometimes the understanding of democracy is too narrow. Democracy must be understood as a social contract aimed at creating holistic freedom (freedom of speech and religion, freedom from want and fear) for its citizens and not only as a governance system which allows political change through universal suffrage. In this context, the
inability of Haiti to create wealth for its citizens resides primarily in its political system that does not function properly. In the Haitian case, both aspects of the definition of democracy are absent; absent from its function of welfare state and absent from the function of political system. The former is responsible for creating mechanisms for full employment and income and the latter is responsible for maintaining a peaceful climate to attract investment.

To make better sense of the political approach, Weinstein and Segal (1990) described the struggle of Haiti to achieve development simply as “failure of politics.” Their arguments are based on simple analysis of the different leaders that Haiti has known from the first U.S. occupation in 1915 to the fall of the Duvalier’s dictatorship in 1986. While some negative factors in Haitian history are similar to other developing countries like Cambodia, Lebanon, Chad, and Mozambique, the persistence of failure, on the contrary, has been unique to Haiti. Haiti has known three military interventions and 31 coup d’état since its independence in 1804. Therefore, there cannot be any analysis of underdevelopment of Haiti without a political approach, as politics are responsible for establishing institutions that plan the welfare of the citizens. That justifies Lundahl’s (1982) belief that the Haitian problem better fits politics than markets, the former exacerbating imperfections of the latter. The requirements of free market economy include political stability, which plays a major role in ensuring efficiency of the use of a country’s comparative advantage. On the contrary, Haiti offers a rich laboratory for the social studies because of its constant unstable political climate.

1.3.2- Issues raised by the economic approach to unemployment
People who are interested in economics have been looking for answers to the problems of high unemployment in Haiti. They conclude that although the Haitian crisis has its specificities, it is in general similar to other developing countries. In that respect, some authors have tried to explain the origin of the problem. Why is the level of unemployment low in the West and very high in the other regions? According to De Soto (2000), only the Western world has mastered capitalism that is why capitalism has been unsuccessful in the developing countries. According to his survey, the problem of the developing world is not a lack of capital as a factor of productivity. The amount of capital in the developing world is huge, but it is dead capital, and the market cannot use it to create wealth. Capitalism is not successful in Haiti because of having a substantial amount of dead capital, which stems from the lack of formalization of property rights. Thus, the property cannot be used as collateral to raise capital to finance industrial and commercial expansion and, consequently, the application of capitalism is not successful and unemployment remains high.

To solve the problem of dead capital, it is essential to attract Foreign Direct Investment (FDI). Nevertheless, as Mankiw (2007) explains, it will be difficult to see capital flow to countries where uncertainty, in terms of political system, exists. Most investors are risk-averse, therefore, not only the flow of capital to developing countries will be limited by these conditions, but also their limited capital will fly to the developed rather than developing countries. If the conditions change, there will be the reverse effect—i.e. flow of capital to developing countries. Lundahl (1979) identifies the absence of collateral for loans as a major determinant of capital flight. Therefore, the economic
problem of the developing countries is lack of capital necessary to create the dynamism that the market needs.

In addition, there was a belief in the 1970s and the structural adjustment periods that the rules of the market had to prevail. The understanding of that policy was that governments should let the market decide the shape of the economy. Summers and Thomas (1995) agree with the idea of having the State less and less involved in manipulating the economy. Nevertheless, they suggest that for the so-called public goods that the private sector does not provide, it is the duty of governments to make them available. There are some necessary conditions for the market to lead the economy and only the state, through its solid institutions, can create such conditions. The mission of the state is to implement relevant policies to allow the market to respond to the needs of the society. Investment in education, health, communication systems, roads infrastructure, electricity, and security, among others, are the responsibility of the State. They are prerequisites to attract investors in the quest to maximize profit in a globalized world. When a country lacks most of these prerequisites, it becomes non-competitive.

Unfortunately, sometimes the economic development policies implemented by the State are against the country’s interest. An example is the document that the Haitian Ministère du Plan (Planning Ministry) produced in 1980 in which the leaders deliberately decided not to invest in electricity, among other basic systems. The rationale behind this decision, according to the document, is that such projects will be “expensive” and will not directly create enough employment (1980). The same document includes promotion for the manufacturing industries in which the capital-labor ratio is very low. These two
policies seem contradictory considering the fact that without improvement in electrical power, the capital-labor ratio of the manufacturing industry will be high since it will require alternate resources to run these industries. Manufacturing companies need electricity for their operations. If the State does not provide a stable source of electricity, the company will have to buy it. This is a high increase in the costs of production, which makes the capital-labor ratio higher in Haiti than some other places like the Dominican Republic or Jamaica. Therefore, state decision-making may sometimes hamper economic development instead of foster it.

Latortue (1997) studied the rural economy of Haiti to identify its chronic problems of development. When it comes to the economy, there are many indicators to explain Haiti’s struggle. Those indicators were predictable considering the fact that the rural population is left with its subsistence seasonal agriculture without any support from the government. Latortue (1997) explores most of the aspects of rural development—from property rights to availability of credit—and concluded that all the micro-credit programs the State has created, through its Agricultural Ministry and Rural Development (MARNDR), have failed to improve the economic conditions of the most marginalized citizens. The importance of finance in development is not a secret nowadays. The absence of mechanisms from the state and the private banking sector to provide credit to the population adds to its struggle to produce efficiently. Lundahl (1979) views the development problem from this angle with a moribund Haitian financial system in the 1970s.

1.3.3- Issues of weak and non-existent institutions
Furthermore, Haiti has been following macroeconomic policy suggested or imposed by the international community and it is of utmost importance to analyze the application of these policies to understand Haiti’s failure. Williamson (2000), the inventor of the phrase “Washington Consensus,” suggests a misuse of the term that has become dogmatic. That is many leaders believe that the market can be the cure of every development problem. Many people question the lack of rapid development despite the assistance of the Bretton Woods institutions and the flow of international aid to the developing countries. In fact, the goal of the Structural Adjustment Program (SAP) was to achieve noticeable economic growth in the developing world by liberalizing their markets. However, apart from the newly industrialized countries of the period, the application of these programs has not succeeded. Therefore, there was a need to explain why the “miracle” was happening only in Asia while it was supposed to be universal. In this regard, Lee and Kim (2008) argued that institutions and policies are the determinants of long-run economic growth. No matter how large the aid from the international community and how relevant their technical advice is, a country without well-established institutions will fall behind in economic development. This explains the difference between the Asian tigers (e.g., South Korea and Thailand) and the other developing countries. For example, South Korea and Taiwan have solid institutions, which implement and apply sound economic policies that have helped them achieve the so-called “miracle”.

Looking at other locations, Summers and Thomas (1995) attributed the marginalization of Africa and its incapability to quickly create jobs to the inexistence of
sectoral policies and well functioning markets. Along the same lines, van der Geest and van der Hoeven (1999) described Africa’s employment problem in terms of missing institutions. They suggested that the debate should shift from whether or not globalization is working or if structural adjustment is relevant to how to create mechanisms for their application. As Helleiner (1997) pointed out, the question in Africa today is why globalization is still so little. There are strong and unfortunate similarities between Haiti and Sub-Saharan Africa’s situation, where the conclusion of missing institutions is equally relevant. Without praising the PAS as perfect policies to achieve economic development, it seems that their major problems remain the lack of resources in the country. In this case, if the institutions are missing or weak, their relevancy is compromised.

On a purely institutional standpoint, Haiti projects an image of a failed state. Different institutions implementing and executing development projects manifest a certain discouragement with Haiti and not without reasons. The World Bank (2007) describes Haiti as a country at risk; the USAID is more categorical in describing Haiti as a “fragile state.” Other research institutions among them the Brookings Institute and Fund for Peace prefer the terms “weak and failed state” for Haiti. Yet, regardless of the chosen term to characterize it, Haiti has lost its credibility of a welfare state in the view of the international institutions. This is due to the fact that the institutions are both weak and affected by corruption or non-existent to provide welfare for the population. This situation is different for other countries like the Dominican Republic, which has created a
complete system to implement, execute, and oversee policy in its labor market as suggested by ILO (2007).

However, there is a certain tendency to attribute underdevelopment in the Global South solely to the lack of good economic policies by the leaders of these countries. However, there should be consideration of other factors such as geography and proximity to international markets. As Sachs (2004) notes, some geographic factors can also limit the rhythm of expansion of a country. Sachs (2004) argues that some countries are experiencing difficulties with unproductive soils that require more effort to obtain equal results easily accomplished in other areas. Some countries are landlocked which makes their trade with the world very difficult, and, therefore, difficult to create the wealth that trade liberalization was supposed to bring. Others, as in the case of Haiti, have difficulties with cultivating their soil to produce adequately for their population. Two-thirds of the 27,750 square kilometer area of Haiti is mountainous; its arable land represents less than 10%. Moreover, the Haitian climate does not have the benefit of winter, which allows for a renewal of land to increase its productivity. Finally, the frequent natural disasters (hurricanes, floods, storms, and earthquakes) contribute to major delay in Haiti’s development.

1.3.4- Issues raised by the sociological approach to unemployment

Besides the two previous approaches, the unemployment problem in Haiti can be seen as sociological. Considering the fact that every country has to work to improve the living conditions of its citizens, this should be part of a societal project and this is the advocacy of the sociological approach. Some authors have viewed the problem of Haiti
as not only a lack of planning, but planning that does not integrate the majority of people living in the rural areas. Barthelemy (1991) calls the rural areas in Haiti the “country outside.” The majority of the Haitian population, as in many developing countries, is living in the rural areas. However, more often than not the implemented policies simply ignore their existence. As noted by many authors (e.g., Marshall, 1985; Latortue, 1997, Aristide, 1999; Déjoie, 2003; Cadet, 2006), the majority of the population in Haiti suffers from a major problem of social justice. This may explain the migratory flux that has recently “invaded” the urban areas as if people were claiming their right to existence.

Aristide (2000) takes the unemployment problem to the extreme when he considers that Haiti is experiencing a social apartheid. There is no welfare available to the population while 1% of the richest controls 45% of the wealth of the country. For Marshall (1985), the problem of underdevelopment of the rural areas is not by chance, because the government always tends to ignore the existence of this class of people. The result is that many children will leave their parents in the rural areas to become restavek in the urban neighborhoods. Employment policy aiming at job creation in the rural areas is the solution to tackle the problem of this modern slavery. Therefore, approaching the unemployment problem with a sociological perspective is relevant.

There are also ways to address development by taking a multidisciplinary approach. This is what the sustainable development movement advocates. Nowadays, development cannot be seen as demographers and physicians’ jobs as it was seen in Haiti before 1995. In addition, people should not be looking at a development plan made by international institutions as a panacea to cure the cancer of underdevelopment. Sachs
(2004) describes the application of some policies as “traditional medicine” in which all the problems are approached with the goal of pain relief. The intervention of the “developmentists” should begin with a diagnosis, which will facilitate all the other functions (planning, leading, organizing, controlling). Development is a transversal topic, which includes every field, from politics, economy to environment, education, health, justice, culture, etc. Sen (1999) argued that development should be seen as freedom, not as wealth. Freedom in all aspects has been missing in Haiti since its independence. Thus, this research is intended to contribute to the advocacy for an inclusive development project in which conditions will be met to increase the living standards of Haitians.

In summary, political, economic, and social constitute the three different approaches taken so far to analyze the problem of unemployment in Haiti. From all the approaches the conclusion remains that Haiti has not played its fundamental role of a welfare state. All three approaches have made it implicitly or explicitly clear that unemployment, in general, and in Haiti, in particular, is problematic. They all provide some interesting insights into how to deal with the problem. What are the main factors limiting development in Haiti, in general, and employment, in particular? Many authors have considered the lack of development in developing countries as relevant research areas. In particular, the case of Haiti is of interest considering the fact that it is the only Western country with such a high level of unemployment and poverty. Why, despite the application of different policies from the Bretton Woods institutions, can Haiti not find its way to achieve sustainable development and create jobs for its citizens? With the data
available for analysis from official institutions in Haiti and from some international institutions, this thesis addresses these questions.

1.4- Hypothesis

This study aims to primarily use the economic approach to analyze unemployment in Haiti. In fact, the different economic development policies in general do not place a clear emphasis on employment policy. Job creation in these policies seems to be implicit; that is if everything works, jobs will be created. It is evident that it is ineffective since 65% of the population of Haiti cannot afford to meet basic needs. The best examples of functioning societies are from the developed countries. They created institutions to implement and execute policies towards full employment and its corollaries. This is to say that the State tracks employment status of its citizens for the sake of their welfare. Most of the developing countries have such institutions, too. In contrast, Haiti has no reliable means to track the employment status of its citizens. The institutions necessary for the development of employment policy are either missing or ineffective.

Therefore, this research is based on two major concepts: the absence of employment policy and the lack of a social safety net. These two major problems in planning of the economic development of Haiti result in an “informalization” of the economy. From 1971 to date, there has been constant degradation of the already insignificant infrastructure (roads, electricity, telephone, water, etc.). This situation has had serious impact on FDI, which started to grow during the 1970s, dropped significantly in the 1980s, restarted growing in mid 1990s again, only to fall at a critical level at the
beginning of 2000. On the contrary, the Dominican Republic presents a completely
different situation. The employment policies from the same periods attracted investors to
create jobs for the population.

In fact, those who follow history may hypothesize that politics explain the cause
of underdevelopment and unemployment in Haiti because the major decline in FDI
correspond to the major period of political turmoil: Coup d’état of 1986, 1991, and the
departure of former President Aristide in 2004. However, referring to solid institutions
also implies creation of a peaceful climate to attract local and international investors.
Until the Haitian leaders address these problems, there will be capital flight, skepticism to
invest in Haiti, huge migration from the rural to the urban areas, insecurity, and constant
need to manage emergencies.

Therefore, the leaders should implement sound economic policies to attract
investors, create jobs, and by ricochet improve the living standard of the citizens. These
policies must be inclusive and multidimensional to achieve sustainable development.
Haiti is a country in which more than 50% of the population is under the age of 25, and if
the policy makers create programs to put this group to work there will be tremendous
economic improvement, which will put Haiti on its way to sustainable development.

Finally, the lack of a social safety net system creates a lack of movement in the
labor force. The youth are not easily integrated into the labor market when they are ready
to work because the elderly exploit the few opportunities. The elderly in Haiti have no
income from a social security or retirement fund. Therefore, they work until they pass on,
become impaired, or migrate to other countries. This problem is mainly caused by the
absence of institutions to manage those important aspects of a welfare state. It is clear that Haiti is a country in which the welfare of citizens is not a priority. Thus, there must have been a high rate of unemployment and underemployment in Haiti from 1971 to 2003, the period of reference for this study.

1.5- Data and Methodology

This study includes both quantitative and qualitative data. The analysis of public policy consists mostly of documentary research trying to identify some of the reasons behind the lack of economic development and employment generation in Haiti. The indicators for the period of reference serve as support to explain the strength or the weaknesses of these policies. The review of the available strategic development plans generates some interesting findings. The 5-year Plans (Plan Quinquennal) of 1971-1976, 1976-1981, and 1981-1986 constitute the data basis of the qualitative analysis with a focus on the Ministry of Social Affairs and the Labor Office and its other organs.

For the purposes of this study, unemployment is defined based on the ILO definition of unemployment, as it seems to best fit the reality of Haiti’s suggested rates. The statistical data from the censuses of 1971, 1982, and 2003 are used as the quantitative part of the analysis, which helps tracking the level of unemployment based on reports of official institutions in Haiti. Analyzing different surveys on employment in Haiti, such as Enquête Budget Consommation des Ménages 2004 (EBCM) and Enquête sur les Conditions de Vies en Haïti 2004 (ECVH) 2004 will help in tracking coherence of the data. In addition, the census of 2003 provides data to build a Lexis diagram that explains the effect of these policies vis-à-vis the aging of the population. Finally, data
from the World Development Indicators, among others, provide additional material to support and explain some of the findings.

There have been four censuses (1950, 1971, 1982, and 2003) in Haiti since the U.S. Marines conducted the “enumeration of the population” during the first occupation from 1915 to 1934. For the purpose of this research, the last three censuses (from 1971, 1982, and 2003) are used to analyze the fluctuation of unemployment in Haiti. From these censuses, the unemployment rate was respectively 43% in 1971, 12% in 1982, and 28% in 2003. Some Critics may have some doubts about the accuracy of the data, yet this analysis focuses more on the factors influencing them. However, knowing the economic situation in Haiti, it is interesting to measure the size of the informal sector versus other indicators of poverty as a way to formulate a better analysis of these data.

The different censuses of interest for this research have shown a growing informal sector. The evolution of the informal sector in Haiti is presented in Figure 2. From these data there is an analysis of what the informal sector means in the Haitian economy and what such a high percentage implies. Figure 1 shows the evolution of the informal sector in the Haitian economy.
Figure 1.0: Trends in the informal sector in Haiti

In summary, the thesis uses the census data to study the variation in the unemployment rates across the period of reference 1971-2003. Also, other indicators from the World Bank serve as data to determine how employment rates vary with policies, FDI, openness to trade, tourism, migration, etc. The analysis is both quantitative and qualitative.

**Limitations**

As stated in the beginning, this thesis is far from being an exhaustive work. The intention here is to contribute to the available literature and to approach the problem from a public policy analysis point of view. The study will be limited to analyzing the labor market and unemployment in Haiti across three censuses—1971, 1982, and 2003. There is some discussion over the available data with regard to quality. Also, the size of the informal sector and its possible significance in terms of value added is analyzed. Finally, the fact that I am dealing with Haiti may create difficulties with finding uncontroversial
data, as this is the issue with most developing countries. For instance, the unemployment rate listed on the World Bank’s website is 7.5%, which is to say that Haiti had a lower unemployment rate than France in 2006. With similar controversial figures, I will try verifying the data with information from alternative sources which will allow for making adjustments to the data from the censuses.
CHAPTER 2: DEMOGRAPHY OF UNEMPLOYMENT FROM 1971 TO 2003

2.1- Demographic situation of Haiti in 2003

To implement and execute economic development policy in a country, knowing its demography is necessary. Using different censuses, policy makers can make projections for the future while working to improve the present situation. To better track changes in population dynamics, the United Nations has required that every country conduct a census at least every decade. Countries with more economic resources have conducted their censuses on a 5-year basis (Canada, for example). Haiti was supposed to follow this requirement but economic difficulties prevented the country from being on time to provide this important tool for policy makers. However, 21 years after the 1982 census, Haiti managed to produce another General Census of Population and Habitat (RGPH 2003). Figure 2.0 presents the age pyramid, which is the structure of the population in 2003.

Figure 2.0: Haiti: age pyramid of from the 2003 census - total population

Source: RGPH 2003
The 2003 census gives some crucial information for policy makers. The population of Haiti was estimated at 8,373,750, 59.18% of whom lived in the rural areas. In addition, the sex ratio for the population is 93.19 males for every 100 females. This ratio is more pronounced in the urban areas where there are 86.08 males for every 100 females, while the rural areas have a 98.41 sex ratio. Considering the fact that most of the policies have neglected the rural areas, children and women, the age pyramid shows the necessity to formulate new policies to focus on these groups on a pro rata basis. Figure 3.0 and Figure 4.0 show the age pyramids for the urban and rural areas. The difference between the two figures resides mainly in the base of the pyramids. The youth population in the rural areas significantly outnumbers the one in the urban areas. The 2003 census suggests a general tendency; that is, the majority of the youth aged 0 to 19 is rural. The ratio is 63 youth in urban areas for every 100 people in the rural areas. Therefore, any employment policy must place emphasis on job creation in the rural areas in order to succeed. The urban/rural ratio changes to 105 for the age groups 20-24, 25-29, and 30-34, which explain the significance of migration of the work force. This rural exodus is understandable since the rural areas do not offer valuable opportunities for the youth to find employment.
In addition, the large number of people entering the working age cohort should be the priority of Haitian policy makers. Based on the education indicators, it is clear that a
huge percentage of the population entering the working age cohort will be part of the labor force. My intention here is not to ask why they are not in school, but since they are already out, how jobs can be created for them. This is the important role of employment policy. Table 1.0 shows that in 2003, 51% of the rural population had no formal schooling; this number is 18.4% in the urban areas.

<table>
<thead>
<tr>
<th></th>
<th>Rural Areas</th>
<th></th>
<th>Urban Areas</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>2,202,984</td>
<td>51.0%</td>
<td>563,246</td>
<td>18.4%</td>
</tr>
<tr>
<td>Kindergarten</td>
<td>216,102</td>
<td>5.0%</td>
<td>139,217</td>
<td>4.5%</td>
</tr>
<tr>
<td>Primary Sch</td>
<td>1,458,324</td>
<td>33.7%</td>
<td>1,142,133</td>
<td>37.2%</td>
</tr>
<tr>
<td>Middle Sc</td>
<td>278,049</td>
<td>6.4%</td>
<td>523,898</td>
<td>17.1%</td>
</tr>
<tr>
<td>High School</td>
<td>159,740</td>
<td>3.7%</td>
<td>628,183</td>
<td>20.5%</td>
</tr>
<tr>
<td>College</td>
<td>6,321</td>
<td>0.1%</td>
<td>64,616</td>
<td>2.1%</td>
</tr>
<tr>
<td>University</td>
<td>752</td>
<td>0.0%</td>
<td>3,289</td>
<td>0.1%</td>
</tr>
<tr>
<td>University(3)</td>
<td>723</td>
<td>0.0%</td>
<td>3,096</td>
<td>0.1%</td>
</tr>
<tr>
<td>Total</td>
<td>4,322,995</td>
<td></td>
<td>3,067,678</td>
<td></td>
</tr>
</tbody>
</table>

Source: RGPH 2003

Haiti is a country, which is still in the process of its demographic transition as demonstrated by the 2003 census. A look at the age pyramid of the population suggests that more than half of the population (51.89%) is under 25 years old. The group 60 and older constitutes 6.61% of the population while the group 25-59 constitutes 41.50%. Moreover, 21.20% of the population was under 10 years old, which represents a significant percentage entering the working age cohort each year. That is, the Haitian population is very young. In a country where the majority of the population does not have access to education, it is expected that the rate of participation in the labor force will be very high. Furthermore, the group of 10-64, which is considered the working age cohort, contributes to 63.68% of the total population in 2003. Based on these data, the challenge
of the government is to implement policy to allow movement (integration and retirements) in the labor force while ensuring the welfare of the population.

2.2- Unemployment and specific rate of unemployment

As stated in the data section, there are many problems in determining the unemployment rate in Haiti. Since this research intends to study unemployment from 1971 to 2003, it becomes impossible to follow this on a yearly basis as there are no such trends available from the documents and institutions consulted. Figure 5.0 shows the variation of the unemployment rate for Haiti found on the WDI website from the World Bank.

![Figure 5.0: Available trends of unemployment for Haiti](source: WDI World Bank)

Comparing the 1982 census and the ILO definition, it seems that the data are accurate as the same unemployment rate is reported. The rates for 1983 and 1988 seem to favor the same arguments as they show an overall increase in unemployment that may be linked to the different economic meltdowns that Haiti experienced at the end of the 1980s. Yet, for 1990 and 1999 the data include some numbers for which there is no plausible explanation. This underestimation should be attributed to errors. During this decade, Haiti endured an embargo for three years between 1991 and 1994. The population was already in the street before this period demanding better living conditions,
employment, and reduced prices of basic staples. Therefore, the analysis will take into
consideration the three censuses and the surveys as data to study unemployment.

In 1971, the census reported a population of 4,714,992. The rate of unemployment
during this period was estimated at 43%. It is important to emphasize that in 1971 the rate
of unemployment was more pronounced for young people. It is of utmost important to
clarify that the calculation of the unemployment rate represents a simple ratio of the
unemployed population divided by the labor force. The labor force (the denominator of
the equation) is composed of the employed, the recently unemployed, the unemployed,
and the unemployed looking for their first job. The unemployed (the numerator of this
equation) is composed of the recently unemployed, the unemployed, and the unemployed
looking for their first job. This equation allows the finding of the specific unemployment
rate also. That is the discouraged, the students, the domestic (workers and non-workers),
the impaired, the non-determined, and the category “others” are not included in the labor
force as suggested by the ILO definition. Table 2.0 gives the specific unemployment rate
in 1971.

Table 2.0: Unemployment rate in 1971 in Haiti

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Unemployed rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 - 14</td>
<td>41%</td>
</tr>
<tr>
<td>15 - 19</td>
<td>56%</td>
</tr>
<tr>
<td>20 - 24</td>
<td>55%</td>
</tr>
<tr>
<td>25 - 29</td>
<td>44%</td>
</tr>
<tr>
<td>30 - 34</td>
<td>37%</td>
</tr>
<tr>
<td>35 - 39</td>
<td>35%</td>
</tr>
<tr>
<td>40 - 44</td>
<td>33%</td>
</tr>
<tr>
<td>45 - 49</td>
<td>33%</td>
</tr>
<tr>
<td>50 - 54</td>
<td>35%</td>
</tr>
<tr>
<td>55 - 59</td>
<td>38%</td>
</tr>
<tr>
<td>60 - 64</td>
<td>39%</td>
</tr>
<tr>
<td>65 - 69</td>
<td>17%</td>
</tr>
<tr>
<td>70 - 74</td>
<td>16%</td>
</tr>
<tr>
<td>75 +</td>
<td>27%</td>
</tr>
<tr>
<td>ND</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>43%</td>
</tr>
</tbody>
</table>

Source: RGPH 1971
In 1982, the census reported tremendous increase in the percentage of people working in Haiti. The rate of participation in the labor force was estimated at 46%. The improvement of employment in 1982 could be attributed to the relatively stable climate from 1970 to 1981, the period preceding the census. Also the growth of the informal sector during this period may serve as an explanation for this improvement. However, the young and able-bodied were still the most affected by unemployment as Table 3.0 shows.

Table 3.0: Unemployment rate in 1982 in Haiti

<table>
<thead>
<tr>
<th>1982 Census – Specific Rate of Unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age Group</td>
</tr>
<tr>
<td>------------</td>
</tr>
<tr>
<td>10 - 14</td>
</tr>
<tr>
<td>15 - 19</td>
</tr>
<tr>
<td>20 - 24</td>
</tr>
<tr>
<td>25 - 29</td>
</tr>
<tr>
<td>30 - 34</td>
</tr>
<tr>
<td>35 - 39</td>
</tr>
<tr>
<td>40 - 44</td>
</tr>
<tr>
<td>45 - 49</td>
</tr>
<tr>
<td>50 - 54</td>
</tr>
<tr>
<td>55 - 59</td>
</tr>
<tr>
<td>60 - 64</td>
</tr>
<tr>
<td>65 - 69</td>
</tr>
<tr>
<td>70 - 74</td>
</tr>
<tr>
<td>75 - 79</td>
</tr>
<tr>
<td>80 - 84</td>
</tr>
<tr>
<td>85 +</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Source: RGPH 1982

The last census to date was conducted in 2003 and it was exhaustive. It reported a rate of participation in the labor force estimated at 44%. Table 4.0 shows the specific rates of unemployment by age group. The youth were the least employed in 2003 with 72% for the age group 10-14, 53% for the age group 15-19. This is to say that people entering the working age cohort are not welcomed. The overall rate of unemployment was 27.84% which suggests that in 2003 there were 72.16% of people in the labor force
actively working. The high unemployment rate of the age group 10-14 should not mislead the reader because at this age, children usually do not participate in the labor force because they are at school. But if they are not in school, and they are looking for jobs, they are integrally part of the labor force. The labor force participation rate is low for this group, yet it has a high percentage of unemployment.

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 - 14</td>
<td>71.99%</td>
</tr>
<tr>
<td>15 - 19</td>
<td>52.55%</td>
</tr>
<tr>
<td>20 - 24</td>
<td>42.10%</td>
</tr>
<tr>
<td>25 - 29</td>
<td>33.04%</td>
</tr>
<tr>
<td>30 - 34</td>
<td>26.47%</td>
</tr>
<tr>
<td>35 - 39</td>
<td>21.86%</td>
</tr>
<tr>
<td>40 - 44</td>
<td>19.38%</td>
</tr>
<tr>
<td>45 - 49</td>
<td>17.22%</td>
</tr>
<tr>
<td>50 - 54</td>
<td>16.29%</td>
</tr>
<tr>
<td>55 - 59</td>
<td>15.56%</td>
</tr>
<tr>
<td>60 - 64</td>
<td>14.62%</td>
</tr>
<tr>
<td>65 - 69</td>
<td>14.63%</td>
</tr>
<tr>
<td>70 - 74</td>
<td>12.60%</td>
</tr>
<tr>
<td>75 - 79</td>
<td>13.97%</td>
</tr>
<tr>
<td>80 - 84</td>
<td>14.26%</td>
</tr>
<tr>
<td>85 +</td>
<td>17.85%</td>
</tr>
<tr>
<td>Total</td>
<td>27.84%</td>
</tr>
</tbody>
</table>

Source: RGPH 2003

Also, the survey of the living conditions of households in Haiti in 2001 found the same tendency for unemployment. The ECVH (2001) found that 27.4% of people were unemployed and were looking for jobs in Haiti. The surveys used the same definition from the ILO to calculate the unemployment rate. From this, one may understand that the true problem of underestimation of unemployment in Haiti is mostly from the definition of the labor force.
2.3- Employment by sector of activity

Haiti is still a predominantly agricultural society. From 1971 to 2003 the agricultural sector contributed to the highest percentage of employment. This percentage, however, fell over the time period. The promises of the 1970s and especially the Multi-Fiber Agreement (MFA) in 1974 were not materialized. The prediction was that the industrial sector and services sector were going to take over the economy. Yet the trends in employment by sector show that 50.56% of the working population was still employed in agriculture in 2003. In terms of value added, the industrial and services sectors have contributed more to the economy, but the majority of the workers was still farming. This can partially explain the relatively high rate of employment in the rural areas, which is in fact, mostly indicating underemployment. The following definition of underemployment is from the ILO (2007).

Underemployment reflects the underutilization of the productive capacity of the employed population. The concept is integrated in the conceptual framework for measuring the labor force, and is based on similar criteria to those used to define employment and unemployment. The underemployed population is a subcategory of the employed population and is identified by comparing their current employment situation with an “alternative” employment situation that they are willing and available to carry out: simply put, persons in underemployment are all those who worked or had a job during the reference week but were willing and available to work “more adequately (p. 1).”
Figure 6.0 shows the weight of each sector with regards to employment for the three different censuses. The industrial sector has seen a decline from the 1970s, which implies that industrialization has passed Haiti by. The overall improvement can be attributed to the growth of the services sector. The data from this figure show a decline in agricultural activities due to structural changes. These data also characterize the diversification trends throughout the less developed countries (LDCs). However, the decline of the industrial sector is the result of different episodes of political turmoil that forced the Multi National Corporations (MNCs) to pull out from the country. In addition, the difficulties that investors face in starting a business in Haiti along with corruption in the administrative structure prevent the industrial sector from growing. This, in turn, leaves more room for informal activities which are included in the services sector.

**Figure 6.0: Trends of employment by sector of activity in Haiti**

2.4- Tracking of unemployment and underemployment

From the beginning, this study presents the fact that unemployment in Haiti is very high. The biggest problem is that all the credible data sources in Haiti report high unemployment rates without citing any sources. This problem is more complicated when the data from the three censuses suggest a lower rate of unemployment compared to what the world knows about Haiti. This dilemma has brought to the study consideration of the measurement of unemployment. Since the same indicators were used for all the censuses, an analysis of one census will shed light on the others. Therefore, I propose to dig deeper into the data for 2003 to understand why the rate of unemployment was 27.84% when it was expected to be higher. Table 5.0 presents the repartition of the population aged 10 years and above from the 2003 census in Haiti.
<table>
<thead>
<tr>
<th>Age</th>
<th>Total</th>
<th>Worked</th>
<th>Active recent</th>
<th>Active Unemp*</th>
<th>Active Unemp*</th>
<th>Active First Job**</th>
<th>Discouraged</th>
<th>Students</th>
<th>Retired</th>
<th>Domestic</th>
<th>Impaired</th>
<th>Others</th>
<th>Non Determined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>6,389,432</td>
<td>1,911,898</td>
<td>17,549</td>
<td>156,986</td>
<td>563,148</td>
<td>324,577</td>
<td>1,864,262</td>
<td>21,790</td>
<td>838,738</td>
<td>296,180</td>
<td>244,821</td>
<td>149,483</td>
<td></td>
</tr>
<tr>
<td>10-14</td>
<td>1,075,255</td>
<td>29,008</td>
<td>1,236</td>
<td>3,414</td>
<td>69,892</td>
<td>48,383</td>
<td>-</td>
<td>59,114</td>
<td>37,214</td>
<td>39,640</td>
<td>23,704</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15-19</td>
<td>984,050</td>
<td>76,619</td>
<td>1,699</td>
<td>7,598</td>
<td>75,549</td>
<td>37,177</td>
<td>650,521</td>
<td>-</td>
<td>63,257</td>
<td>22,612</td>
<td>31,908</td>
<td>17,110</td>
<td></td>
</tr>
<tr>
<td>20-24</td>
<td>811,217</td>
<td>166,412</td>
<td>2,198</td>
<td>17,019</td>
<td>101,776</td>
<td>42,593</td>
<td>311,987</td>
<td>-</td>
<td>102,262</td>
<td>18,971</td>
<td>31,473</td>
<td>16,526</td>
<td></td>
</tr>
<tr>
<td>25-29</td>
<td>673,422</td>
<td>237,987</td>
<td>2,307</td>
<td>22,606</td>
<td>92,522</td>
<td>37,512</td>
<td>102,192</td>
<td>-</td>
<td>109,591</td>
<td>22,411</td>
<td>25,624</td>
<td>20,670</td>
<td></td>
</tr>
<tr>
<td>30-34</td>
<td>526,782</td>
<td>246,191</td>
<td>1,997</td>
<td>22,434</td>
<td>64,191</td>
<td>29,366</td>
<td>23,188</td>
<td>-</td>
<td>94,185</td>
<td>5,425</td>
<td>18,919</td>
<td>20,886</td>
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</tr>
<tr>
<td>35-39</td>
<td>474,614</td>
<td>246,241</td>
<td>1,723</td>
<td>20,394</td>
<td>46,770</td>
<td>25,927</td>
<td>7,779</td>
<td>-</td>
<td>90,553</td>
<td>5,112</td>
<td>15,745</td>
<td>14,370</td>
<td></td>
</tr>
<tr>
<td>40-44</td>
<td>419,789</td>
<td>230,011</td>
<td>1,521</td>
<td>17,725</td>
<td>36,044</td>
<td>24,724</td>
<td>3,224</td>
<td>-</td>
<td>75,256</td>
<td>6,120</td>
<td>14,407</td>
<td>10,757</td>
<td></td>
</tr>
<tr>
<td>45-49</td>
<td>342,496</td>
<td>193,709</td>
<td>1,280</td>
<td>13,539</td>
<td>25,481</td>
<td>20,223</td>
<td>1,721</td>
<td>-</td>
<td>61,918</td>
<td>5,950</td>
<td>11,722</td>
<td>6,953</td>
<td></td>
</tr>
<tr>
<td>50-54</td>
<td>295,072</td>
<td>162,708</td>
<td>1,038</td>
<td>11,737</td>
<td>18,891</td>
<td>19,153</td>
<td>-</td>
<td>1,200</td>
<td>53,010</td>
<td>10,202</td>
<td>11,440</td>
<td>5,693</td>
<td></td>
</tr>
<tr>
<td>55-59</td>
<td>168,548</td>
<td>89,837</td>
<td>595</td>
<td>6,203</td>
<td>9,759</td>
<td>11,193</td>
<td>-</td>
<td>1,225</td>
<td>31,573</td>
<td>8,527</td>
<td>6,575</td>
<td>3,061</td>
<td></td>
</tr>
<tr>
<td>60-64</td>
<td>187,015</td>
<td>90,529</td>
<td>650</td>
<td>5,847</td>
<td>9,007</td>
<td>11,177</td>
<td>-</td>
<td>2,477</td>
<td>33,755</td>
<td>21,790</td>
<td>8,031</td>
<td>3,752</td>
<td></td>
</tr>
<tr>
<td>65-69</td>
<td>125,733</td>
<td>54,722</td>
<td>402</td>
<td>3,668</td>
<td>5,308</td>
<td>6,786</td>
<td>-</td>
<td>2,501</td>
<td>22,828</td>
<td>20,521</td>
<td>5,833</td>
<td>3,164</td>
<td></td>
</tr>
<tr>
<td>70-74</td>
<td>133,032</td>
<td>49,155</td>
<td>493</td>
<td>2,555</td>
<td>4,036</td>
<td>5,260</td>
<td>-</td>
<td>4,451</td>
<td>20,622</td>
<td>37,781</td>
<td>6,883</td>
<td>1,796</td>
<td></td>
</tr>
<tr>
<td>75-79</td>
<td>66,528</td>
<td>20,713</td>
<td>194</td>
<td>1,201</td>
<td>1,969</td>
<td>2,470</td>
<td>-</td>
<td>2,861</td>
<td>9,081</td>
<td>23,409</td>
<td>3,589</td>
<td>1,041</td>
<td></td>
</tr>
<tr>
<td>80-84</td>
<td>56,301</td>
<td>13,891</td>
<td>155</td>
<td>749</td>
<td>1,406</td>
<td>1,907</td>
<td>-</td>
<td>3,737</td>
<td>6,781</td>
<td>24,548</td>
<td>3,127</td>
<td></td>
<td></td>
</tr>
<tr>
<td>85+</td>
<td>49,578</td>
<td>4,165</td>
<td>61</td>
<td>297</td>
<td>547</td>
<td>726</td>
<td>-</td>
<td>3,338</td>
<td>4,952</td>
<td>25,587</td>
<td>9,905</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6,389,432</td>
<td>1,911,898</td>
<td>17,549</td>
<td>156,986</td>
<td>563,148</td>
<td>324,577</td>
<td>1,864,262</td>
<td>21,790</td>
<td>838,738</td>
<td>296,180</td>
<td>244,821</td>
<td>149,483</td>
<td></td>
</tr>
</tbody>
</table>

Source: RGPH 2003

* Unemployed - **Active looking for first job
From these data of the 2003 census, it is clear that the definition of the labor force itself is misleading. According to the International Labor Organization (ILO), the total labor force, or currently active population, comprises all persons who are working or unemployed but actively looking for a job during the period preceding the census. As such, it is clear that any misinterpretation or misunderstanding of the questionnaire of the census can lead to gaps in the indicators. The data collected for the 2003 census reflect such gaps and it is important to consider them. Figure 7.0 shows the distribution of the population of age 10 and above for the 2003 census.

![Figure 7.0: Repartition of the population of age 10 and above](image)

Source: RGPH 2003

Table 6.0 summarizes the importance, in percentages, of the categories making up the population not included in the labor force from the 2003 census.

<table>
<thead>
<tr>
<th>Category</th>
<th>% impaired</th>
<th>% others</th>
<th>% non determined</th>
<th>% Domestic</th>
<th>% Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>4.64%</td>
<td>3.83%</td>
<td>2.34%</td>
<td>13.13%</td>
<td>29.18%</td>
</tr>
</tbody>
</table>

Source: RGPH 2003
Take for example the number of people reported as “domestic (stayed home)” for the period considered by the 2003 census. This group is not counted in the labor force and therefore not considered unemployed. This creates a problem since this group represents 13.13% of the working age cohort. Also 92.33% of people from this group are less than 65 years old. The category of “Domestic Workers” is explained in the glossary of the 2003 census. It includes people staying home, working as housekeepers, “maids,” custodians, cooks, and other domestic roles. This group should be part of the labor force because these people may be earning income on through housing and food benefits or cash. While the ILO definition of the labor force does not include people staying at home, it does include the addition of any category of workers providing that they are earning income. Therefore, distinguishing the workers and the unemployed from this group, it is clear that the rate of unemployment for 2003 was higher than the 27.84% according to the ILO standard.

Another problem remains in the number of people labeled in the categories of “others” and “not determined.” The questionnaire of the 2003 census put all the respondents without a clear status in these two categories. Knowing Haiti and the struggle of this population for its welfare, when people do not have clear employment status it is then clear that they are not working but looking for a job. This statement excludes people of retirement age and they represent a small percentage of these two groups. The groups of “others” and “not determined” represent respectively 3.8% and 2.34% of the population of 10 years and older. So there was a serious problem in the data collection
and the majority of people from these groups should be included in the labor force ipso facto.

Finally, this study cannot ignore the number of impaired people reported by the census. This group represents 4.64% of the population of 10 years and older. The questionnaire once again serves as guidance to understand the meaning of such a category. The category labeled “invalid,” indicates people unable to work at a certain rhythm mentally or physically. This states the level of exclusion from the Haitian society, which categorizes people with any type of handicap as, excluded from all spheres of activity. Certainly, some people from this category are totally disabled and therefore cannot participate in the labor force. However, putting everyone from this group in the category of “invalid” reflects the lack of inclusive policy in job creation. This problem will be analyzed more in-depth in the following chapter.

However, this analysis will take into consideration not only the possible underestimation of the labor force, but also the possible overestimation from the age group 10-14. At 10 years old, children should be at school as stated by the education policy implemented in 1995. The universal schooling act PNEF (1995) states that all children in Haiti should receive free primary (fundamental) education. Therefore, the employer will consider any children looking for jobs as non-eligible. This situation surely increased the rate of unemployment found in the 2003 census. The specific rate for this group is 72% without taking into account the other problems cited previously. Yet many analysts will argue that the universal education act was never successful as Quamina-Aiyejina (2000) reports in the UNESCO assessment on education in Haiti. Therefore, the
unavailability of schooling opportunities, particularly in the rural areas, creates a vacuum that only the labor force could fill.

2.5- The Informal Sector

People who know Haiti think of it like a flea market. While this thinking may not apply to the whole country, it is obvious that the urban areas and particularly the metropolitan areas fit this concept. From the airports to the physical markets, from the palace to the cemetery, from the seaport to the hills, stalls of merchants occupy most of the streets. In fact, the open markets characterize the informal sector in Haiti. The reports from different respectable institutions suggest that the weight of the informal sector in Haiti is 90%. Others argue that this rate is lower or higher depending on their definition of the informal sector. Therefore, this study has a problem of tracking the real size of the informal sector. Therefore, the best option is to work with the definition proposed by ILO.

For simplicity, the informal sector in Haiti mostly consists of people working for their own account. This refers to the ILO operational definitions considering own-account enterprises and household enterprises as part of the informal sector. The ILO does not have a single and complete definition of the informal sector. The argument is that “because of the heterogeneity of the informal sector, and its multiple dimensions, conceptual and statistical definitions of this sector are not as clear-cut as one might expect (ILO, 2007).” The definition of the informal sector in the Key Indicators of the Labour Market (KILM) was well elaborated, classifying the informal sector in different categories. According to this literature, the term “informal economy” is preferred to
informal sector because the workers and the businesses do not belong to a single sector of the economy. It is a cross-sector economy.

The size of the informal sector in Haiti tells the reality of employment. The KILM of ILO (2007) expresses the necessity to go beyond the employment / unemployment dichotomy because these two measures inadequately address the reality of development. From 1971 Haiti has experienced a rising informal sector. The number of people employed in the informal sector from 1971 represented 60%, 75% in 1982, and 85% in 2003. Locher (1975) conducted a survey and found that in the capital city, Port-au-Prince, there were 26 open markets. Although they vary in size, these markets combined can reach up to 15,092 markets dwellers on a Saturday (Locher, 1975).

The 2003 census gives an idea of the distribution of workers by sector of activity (agriculture, industry, and services) and formality of the economy. In Haiti the informal sector is characterized by the following: it is comprised primarily of the activities not registered under any legal entity, the workers do not pay taxes, and the occupation of the spaces (in case of markets) is arbitrary. The informal sector spans such broad economic activities as agriculture, security, industry, health, and even non-governmental organizations. Table 7.0 presents a complete detailing of the informal sector in Haiti for the period of reference of the 2003 census. In this table the number of people working in non classifiable activities is not counted in the informal sector. I decided not to include them in the informal sector because of the possible gaps in summing the self-employed and the family workers. Because the number of people self-employed in the formal sector
is minimal, I think the number of people in the category “others” can serve to its balance.

The size of the informal sector is the ratio of the self-employed over the total.
Table 7.0: Size of the informal sector by sector of activity

<table>
<thead>
<tr>
<th>Sector of Activity</th>
<th>Total</th>
<th>Employer</th>
<th>Employee</th>
<th>Own-Account</th>
<th>Family worker</th>
<th>Apprentice</th>
<th>Others</th>
<th>Informal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Forestry, Livestock, and Hunting</td>
<td>956,715</td>
<td>3,654</td>
<td>5,991</td>
<td>930,146</td>
<td>11,770</td>
<td>1,459</td>
<td>3,695</td>
<td>98%</td>
</tr>
<tr>
<td>Fishing</td>
<td>16,234</td>
<td>148</td>
<td>313</td>
<td>15,456</td>
<td>185</td>
<td>39</td>
<td>93</td>
<td>96%</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>2,484</td>
<td>100</td>
<td>353</td>
<td>1,799</td>
<td>131</td>
<td>15</td>
<td>86</td>
<td>78%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>129,284</td>
<td>3,821</td>
<td>27,756</td>
<td>88,470</td>
<td>3,721</td>
<td>3,053</td>
<td>2,463</td>
<td>71%</td>
</tr>
<tr>
<td>Electricity, Gas, and Water</td>
<td>4,556</td>
<td>101</td>
<td>2,733</td>
<td>1,392</td>
<td>147</td>
<td>52</td>
<td>131</td>
<td>34%</td>
</tr>
<tr>
<td>Construction</td>
<td>64,600</td>
<td>2,135</td>
<td>15,326</td>
<td>33,279</td>
<td>6,136</td>
<td>4,394</td>
<td>3,330</td>
<td>61%</td>
</tr>
<tr>
<td>Wholesale and retail</td>
<td>488,251</td>
<td>5,407</td>
<td>26,951</td>
<td>444,711</td>
<td>5,271</td>
<td>2,521</td>
<td>3,390</td>
<td>92%</td>
</tr>
<tr>
<td>Hotels et restaurants</td>
<td>7,451</td>
<td>229</td>
<td>3,195</td>
<td>3,552</td>
<td>325</td>
<td>17</td>
<td>133</td>
<td>52%</td>
</tr>
<tr>
<td>Transports, storage, and communication</td>
<td>45,328</td>
<td>1,042</td>
<td>12,422</td>
<td>28,595</td>
<td>1,477</td>
<td>260</td>
<td>1,532</td>
<td>66%</td>
</tr>
<tr>
<td>Financial Intermediation</td>
<td>8,239</td>
<td>1,519</td>
<td>6,358</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>362</td>
<td>0%</td>
</tr>
<tr>
<td>Real estate, renting, and business services</td>
<td>14,648</td>
<td>650</td>
<td>9,898</td>
<td>3,418</td>
<td>225</td>
<td>104</td>
<td>353</td>
<td>25%</td>
</tr>
<tr>
<td>Public administration and defense; compulsory social security</td>
<td>38,875</td>
<td>808</td>
<td>35,408</td>
<td>1,594</td>
<td>182</td>
<td>89</td>
<td>794</td>
<td>5%</td>
</tr>
<tr>
<td>Education</td>
<td>65,903</td>
<td>2,556</td>
<td>52,058</td>
<td>8,703</td>
<td>695</td>
<td>164</td>
<td>1,727</td>
<td>14%</td>
</tr>
<tr>
<td>Health and social work</td>
<td>23,377</td>
<td>868</td>
<td>14,655</td>
<td>6,739</td>
<td>355</td>
<td>115</td>
<td>645</td>
<td>30%</td>
</tr>
<tr>
<td>Other community, social and personal service activities</td>
<td>25,542</td>
<td>899</td>
<td>9,789</td>
<td>11,453</td>
<td>1,807</td>
<td>182</td>
<td>1,412</td>
<td>52%</td>
</tr>
<tr>
<td>Private households with employed persons</td>
<td>37,429</td>
<td>216</td>
<td>10,833</td>
<td>4,820</td>
<td>20,026</td>
<td>109</td>
<td>1,425</td>
<td>66%</td>
</tr>
<tr>
<td>Extra-territorial organizations and bodies</td>
<td>531</td>
<td>7</td>
<td>477</td>
<td>25</td>
<td>6</td>
<td>1</td>
<td>15</td>
<td>6%</td>
</tr>
<tr>
<td>Total</td>
<td>1,929,447</td>
<td>24,160</td>
<td>234,516</td>
<td>1,584,152</td>
<td>52,459</td>
<td>12,574</td>
<td>21,586</td>
<td>85%</td>
</tr>
</tbody>
</table>

Source: RGPH 2003
Table 7.0 clearly shows that the Haitian economy is an informal one. Except for the activity classified under financial intermediation, all economic sectors include a percentage of informality. This is so only if the non-classifiable (others) activities are not taken into account. Similarly, the economic activities labeled under public administration have the lower percentage (5%) of people informally employed. This “informalization” affects some crucial economic branches like health (30%), education (14%), electricity, gas and water (34%). Yet the agricultural sector is the most “informalized” with an average 97% among agriculture, forestry, livestock, hunting, fishing, and mining. Figure 8.0 presents the distribution of the informal employees by sector of activity.

![Figure 8.0: Repartition of the informal sector by economic sector](image)

Most of the workers in the rural areas are employed in the agricultural sector. This explains the high percentage of agriculture in the informal economy. On the other hand, in the urban areas the services sector constitutes the majority of the informal economy. In the next chapter, I discuss more in-depth the implication of the informal sector. More often than that, the activities are subsistence farming, and include selling of second hand clothing or other small items. However, such sales income hardly constitutes a living wage.
Therefore, if we take into account unemployment and underemployment in Haiti, the combined rate will be somewhere above 90%. This is the Haiti that the world knows, a country that cannot afford a minimum standard of living for its citizens. The informal sector in Haiti has been studied by many researchers, among them Lamaute (2005). They consider that most of the jobs generated by this economy are a hidden misery. Some other concepts are well known in explaining the informal economy and its employees. One of them was the term “disguised unemployment” which continues to be the favorite of the Haitians. Yet, the ILO and other United Nations agencies call this group the working poor. This is true because it helps explain why the Haitian population is still at 65% below the poverty line while having a 28% rate of unemployment. As the MPCE (1990) explains, the real problem of the labor market in Haiti is not unemployment but underemployment because a majority of people are working, but hardly earning an income.
CHAPTER 3- THE ELDERLY WORK FORCE

The Haitian population is young, as the data from all the censuses show. The structure of the Haitian population suggests that the biggest challenge for policy makers remains job creation in order to absorb the number of people entering the working age cohort every year. However, a new phenomenon is happening now in Haiti: the aging of the population. The 2003 census reports a number of 618,187 people aged 60 or older. This represents a significant transition in the demographic structure of the country, which, in turn, requires particular attention. Table 8.0 presents the trends of the elderly population in Haiti from 1970 to 2003.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>60-64</td>
<td>112199</td>
<td>121292</td>
<td>129107</td>
<td>135376</td>
<td>145934</td>
<td>166014</td>
<td>186827</td>
<td>187015</td>
</tr>
<tr>
<td>65-69</td>
<td>81886</td>
<td>91132</td>
<td>100272</td>
<td>107877</td>
<td>113870</td>
<td>123661</td>
<td>141700</td>
<td>125733</td>
</tr>
<tr>
<td>70-74</td>
<td>49931</td>
<td>60514</td>
<td>68907</td>
<td>76850</td>
<td>83422</td>
<td>88836</td>
<td>97264</td>
<td>133032</td>
</tr>
<tr>
<td>75-79</td>
<td>24718</td>
<td>31751</td>
<td>39670</td>
<td>45971</td>
<td>51866</td>
<td>56973</td>
<td>61309</td>
<td>66528</td>
</tr>
<tr>
<td>80+</td>
<td>16351</td>
<td>16414</td>
<td>18730</td>
<td>24720</td>
<td>29892</td>
<td>35046</td>
<td>39962</td>
<td>105879</td>
</tr>
<tr>
<td>Total</td>
<td>285085</td>
<td>321103</td>
<td>356686</td>
<td>390794</td>
<td>424984</td>
<td>470530</td>
<td>527062</td>
<td>618187</td>
</tr>
</tbody>
</table>

Source: ECLAC 2008

As many demographers suggest, the progress of medicine plays a major role in increasing life expectancy in the world. In the 1960s and 1970s, life expectancy in Haiti was 43 years on average, yet in 2003, the average was 53 years. The number of people from the age group 60 and older in 2003 represent more than twice the one of 1970. This is a geometric progression as suggested by Figure 9.0. Figure 9.0 shows the trends of the elderly population in Haiti from 1970 to 2003.
There is clearly a quickly growing population of elderly, which should change the dynamic of population policy in Haiti. Depending on the response of the policy makers, Haiti can be better or worse off with this changing structure. In 2003, the elderly represented 6.16% of the total labor force. Normally the elderly characterize the needs for social security, in other terms, they are most likely the population at charge. Therefore, creating institutions to work on the treatment of the elderly from the state is crucial in employment policy.

In addition, the rate of participation of the elderly in the labor force in 2003 is considerable. The age elderly population has a participation rate, which is higher than the average for the country. Table 8.0 gives the specific participation rate of the elderly population.
Table 9.0: Participation rate of the elderly in the labor force

<table>
<thead>
<tr>
<th>Age</th>
<th>Total</th>
<th>Worked</th>
<th>Recently Unemployed</th>
<th>Unemployed</th>
<th>Unemployed looking for first job</th>
<th>Participation rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>60-64</td>
<td>187015</td>
<td>90529</td>
<td>650</td>
<td>5847</td>
<td>9007</td>
<td>56.70%</td>
</tr>
<tr>
<td>65-69</td>
<td>125733</td>
<td>54722</td>
<td>402</td>
<td>3668</td>
<td>5308</td>
<td>50.98%</td>
</tr>
<tr>
<td>70-74</td>
<td>133032</td>
<td>49155</td>
<td>493</td>
<td>2555</td>
<td>4036</td>
<td>42.27%</td>
</tr>
<tr>
<td>75-79</td>
<td>66528</td>
<td>20713</td>
<td>194</td>
<td>1201</td>
<td>1969</td>
<td>36.19%</td>
</tr>
<tr>
<td>80-84</td>
<td>56301</td>
<td>13891</td>
<td>155</td>
<td>749</td>
<td>1406</td>
<td>28.78%</td>
</tr>
<tr>
<td>85-89</td>
<td>21432</td>
<td>4108</td>
<td>61</td>
<td>297</td>
<td>547</td>
<td>23.39%</td>
</tr>
<tr>
<td>90-94</td>
<td>15800</td>
<td>37</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.23%</td>
</tr>
<tr>
<td>95+</td>
<td>12346</td>
<td>20</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.16%</td>
</tr>
<tr>
<td>Total</td>
<td>618187</td>
<td>233175</td>
<td>1955</td>
<td>14317</td>
<td>22273</td>
<td>43.95%</td>
</tr>
</tbody>
</table>

Source: RGPH 2003

Members of the labor force under the age of 25 had the highest rate of unemployment in all three censuses. This situation is common; according to Mankiw (2007), when employment is scarce, the youth are the first victims on the list. However, the problem is more serious considering that Haiti has always had scarcity of employment. The data from the 2003 census show that the rate of unemployment for the 10-14 age group is 72%. At the same time, this rate is 52.55% and 42.10% for the 15-19 and 20-24 age groups respectively. Whereas the high rate for the 10-14 age group is misleading because young children should not to participate in the labor force, this cannot be the case for the other two age groups. In addition, Table 9.0 does not take into consideration underemployment, which aggravates the situation. Table 9.0 presents the employment situation of the under 25 year old group for the 2003 census. The younger the people, the lesser is the employment rate.
### Table 10.0: Unemployment of the under 25 groups

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Unemployment rate</th>
<th>Enrollment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 – 14</td>
<td>71.99%</td>
<td>71.02%</td>
</tr>
<tr>
<td>15 – 19</td>
<td>52.55%</td>
<td>66.11%</td>
</tr>
<tr>
<td>20 - 24</td>
<td>42.10%</td>
<td>38.46%</td>
</tr>
</tbody>
</table>

Source: RGPH 2003

On the other hand, disregarding underemployment, the elderly were better off in 2003. The rate of unemployment is 14% on average for the age group 60 and above. This finding sheds light on the determinants of high unemployment in Haiti. The age group of 70-74 had an unemployment rate of 12.60% according to the ILO definition. While this rate may be higher when including the other groups such as “non-determined,” “others,” and “domestic,” as discussed in the previous chapter, it would still not surpass the unemployment rate of the age group 20-24. This remains the case for all other age groups above the age of 60. The highest unemployment rate is 17.85%, which is the unemployment rate of those 85 and older. Table 10.0 gives a clearer view of the unemployment of the elderly population in the 2003 census.

### Table 11.0: Unemployment rate of the elderly in 2003

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>60 - 64</td>
<td>14.62%</td>
</tr>
<tr>
<td>65 - 69</td>
<td>14.63%</td>
</tr>
<tr>
<td>70 - 74</td>
<td>12.60%</td>
</tr>
<tr>
<td>75 - 79</td>
<td>13.97%</td>
</tr>
<tr>
<td>80 - 84</td>
<td>14.26%</td>
</tr>
<tr>
<td>85 +</td>
<td>17.85%</td>
</tr>
</tbody>
</table>

Source: RGPH 2003

In fact, all three censuses report a relatively low rate of unemployment for the elderly. However, some important aspects of the data from the 2003 census are interesting. Because this census is the last one to date, it allows the study of changes in the labor market from 1971 until 2003. In that aspect, its data offer valuable explanations...
of the determinants of unemployment in Haiti. Table 11.0 shows the repartition of the elderly population in 2003.

Table 12.0: Repartition of the elderly in 2003

<table>
<thead>
<tr>
<th>Age</th>
<th>Total</th>
<th>Worked</th>
<th>Rec.</th>
<th>Unem</th>
<th>Unempl</th>
<th>Unem</th>
<th>First Job</th>
<th>Disco</th>
<th>Retired</th>
<th>Stayed</th>
<th>Impaired</th>
<th>Others</th>
<th>Non Determined</th>
</tr>
</thead>
<tbody>
<tr>
<td>60-64</td>
<td>187015</td>
<td>90529</td>
<td>650</td>
<td>5847</td>
<td>9007</td>
<td>11177</td>
<td>2477</td>
<td>33755</td>
<td>21790</td>
<td>8031</td>
<td>3752</td>
<td></td>
<td></td>
</tr>
<tr>
<td>65-69</td>
<td>125733</td>
<td>54722</td>
<td>402</td>
<td>3668</td>
<td>5308</td>
<td>6786</td>
<td>2501</td>
<td>22828</td>
<td>20521</td>
<td>5833</td>
<td>3164</td>
<td></td>
<td></td>
</tr>
<tr>
<td>70-74</td>
<td>133032</td>
<td>49155</td>
<td>493</td>
<td>2555</td>
<td>4036</td>
<td>5260</td>
<td>4451</td>
<td>20622</td>
<td>37781</td>
<td>6883</td>
<td>1796</td>
<td></td>
<td></td>
</tr>
<tr>
<td>75-79</td>
<td>66528</td>
<td>20713</td>
<td>194</td>
<td>1201</td>
<td>1969</td>
<td>2470</td>
<td>2861</td>
<td>9081</td>
<td>23409</td>
<td>3589</td>
<td>1041</td>
<td></td>
<td></td>
</tr>
<tr>
<td>80-84</td>
<td>56301</td>
<td>13891</td>
<td>155</td>
<td>749</td>
<td>1406</td>
<td>1907</td>
<td>3737</td>
<td>6781</td>
<td>24548</td>
<td>3127</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>85-89</td>
<td>21432</td>
<td>4108</td>
<td>61</td>
<td>297</td>
<td>547</td>
<td>726</td>
<td>1646</td>
<td>2447</td>
<td>10233</td>
<td>1367</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>90-94</td>
<td>15800</td>
<td>37</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1082</td>
<td>1561</td>
<td>8418</td>
<td>4702</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>95+</td>
<td>12346</td>
<td>20</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>610</td>
<td>944</td>
<td>6936</td>
<td>3836</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>618187</td>
<td>233175</td>
<td>1955</td>
<td>14317</td>
<td>22273</td>
<td>28326</td>
<td>19365</td>
<td>98019</td>
<td>153636</td>
<td>37368</td>
<td>9753</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: RGPH 2003

The statistics of table 11.0 have prompted questions amongst researchers regarding the determinants of unemployment. In 2003, the elderly totaled 618,187 people, which represents 6.61% of the population of 10 years and older. This group represents one third of the population of the age groups 15-19 and 20-24 combined (1,795,257 people). However, 233,175 people from the elderly group were still working in 2003, which outnumbers the total of people of the age groups 15-19 and 20-24 respectively and represents 96% of these two groups combined. That is, the elderly group comprises 12% of the employed population in 2003. The number of people reported as employed in 2003 from the elderly group represents 37.72%. In addition, the estimation of their participation rate in the labor force was 43.95%, higher than that of the total Haitian population. This suggests that Haiti has a real problem supporting its elderly population.
The majority of countries in the world consider the working age cohort as 10-64 years old. However, this is controversial because at 10 years old, children should be at primary school. This is important because there are contradictions between the different agencies of the UN, particularly the ILO, UNDP, and UNESCO. The MDGs (1995) aim to achieve primary education for all children by 2015. In an education system like the one in Haiti, children graduate from primary school at approximately age 11. With that in mind, the working age cohort in Haiti should be somewhere between 13 or 14 and 64. Although it might be biased to consider the cohort 10-64 as the true working age, this study does not have any other alternative. However, it minimizes the unemployment rate of the age group 10-14 and puts more emphasis on the cohort 15-59. As the previous data show, the youth have the highest rate of unemployment and that raises the integration problem.

Here, I propose to track the workers of the 1970s, when most of the infrastructure projects and economic liberalization started. In fact, with a population of 4 million people, these projects in the 1970s and the relative health of the economy in general offered more opportunity to Haitians. This explains why the elderly group in 2003, which was the cohort 25-59 in 1971, is still better off. The figure below shows a comparison of the specific unemployment rate for the three censuses. The rate of unemployment decreases with the aging of the population. The high percentage for the age group 75-79 in 1971 reflects the group 75+ because the data for 1971 did breakdown the elderly group up to 75 years old and plus. Figure 10.0 compares the specific unemployment rate of the three censuses for the period of reference of this study.
It is clear that the general trend is higher unemployment among the youth. Therefore, this study continues with its tracking of the unemployment rate to find out that the same generation of workers from 1971 is still active in 2003. Here, I propose a Lexis diagram to show the evolution of the workers from 1971. The Lexis diagram allows a tridimensional analysis: cohort, date of events, and age of the people in the cohort affected by the events. The numbers on the left hand side (the vertical axis) represent the age of the different groups of the 1971 cohort of workers; this cohort is from the groups 25-59. The interval between the two bold oblique lines (oblique axis) represents the cohort for this analysis. Finally, the horizontal axis represents the years of the different dynamics of this cohort.

The purpose of the Lexis Diagram is to track the dynamic of the cohort of workers from 1971 to 2003. This study considers the group 25-59 as the bastion of workers in any country. One thing to point out is that the vertical axis has multiples...
ordinates for one point (ordinate). The way to read this is to consider each ordinate separately. For example, an analysis of the group 25-30 in 1971 will start with the interval between the first ordinate 25 and the second ordinate 30. On the same token, the analysis of the group 35-40 in 1971 should start with the interval between the first ordinate 35 and the second ordinate 40. The horizontal axis indicates the years of the changes in the cohort. The P(x, x+5) expression in the diagram indicates the survival probability of a group. This tracks the probability of the people in an age group to move to the next age group. Thus, following the oblique lines one can read this: in 1970, the population of the cohort 25-59 was 1,243,820 people from whom 618,187 are still living in 2003 aged 60 and older. The difference between the figures given for 1970 and 2003 is the number of dead and international migrants.

A 25 year old person in 1970 turned 30 in 1975 and a 55 year old person in 1970 turned 60 in 1975 assuming that there was no case of mortality for these two people. This simple logic is the basis to read the Lexis Diagram. The baseline, the first horizontal line, represents the population of the group 25-55 (1,456,726) in 1970. After applying the survival probability, P(x, x+5), this group became 30-60 (1,300,079) in 1975. This process continued until it became 629,979, which is higher than the 618,127 people in the elderly group because of emigration. Therefore, this diagram gives a demographic history and the root of the growing elderly population. Figure 10.1 presents the Lexis Diagram. The calculation of the survival probability is from the mortality table for Haiti found on the ECLAC (2007) website.
Figure 10.1 Tracking of the cohort of workers from 1971 to 2003 Lexis Diagram

Source: ECLAC, RGPH 1971
To complete the analysis of the integration problem of the labor market in Haiti, this study combines the tracking of the 1971 cohort with a tracking of the unemployment rate for each group until 2003. The findings reveal that the same cohort 25-59 of 1971 who turned 60+ in 2003 was working continually. Table 13.0 gives a summary explanation of these findings.

<table>
<thead>
<tr>
<th>Age Group</th>
<th>1971</th>
<th>Unemployment Rate</th>
<th>1982</th>
<th>Unemployment Rate</th>
<th>2003</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 - 29</td>
<td>44%</td>
<td>35 - 39</td>
<td>7%</td>
<td>60 - 64</td>
<td>4.74%</td>
<td></td>
</tr>
<tr>
<td>30 - 34</td>
<td>37%</td>
<td>40 - 44</td>
<td>6%</td>
<td>65 - 69</td>
<td>2.86%</td>
<td></td>
</tr>
<tr>
<td>35 - 39</td>
<td>35%</td>
<td>45 - 49</td>
<td>5%</td>
<td>70 - 74</td>
<td>2.57%</td>
<td></td>
</tr>
<tr>
<td>40 - 44</td>
<td>33%</td>
<td>50 - 54</td>
<td>5%</td>
<td>75 - 79</td>
<td>1.08%</td>
<td></td>
</tr>
<tr>
<td>45 - 49</td>
<td>33%</td>
<td>55 - 59</td>
<td>3%</td>
<td>80 - 84</td>
<td>0.73%</td>
<td></td>
</tr>
<tr>
<td>50 - 54</td>
<td>35%</td>
<td>60 - 64</td>
<td>4%</td>
<td>85 +</td>
<td>0.22%</td>
<td></td>
</tr>
<tr>
<td>55 - 59</td>
<td>38%</td>
<td>65 - 69</td>
<td>3%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


In 1971, the unemployment rate for the age group 25-29 was 44%, a relatively lower rate than the group 10-24. In 1982, the age group 25-29, excluding the international migrants and those affected by mortality, became 35-39 with an unemployment rate of 7%. Twenty years later, in 2003, this group turned 60-64 and its unemployment rate was 4.74%. This observation is identical for all the other cohorts. That is, the elderly do not drop out from the labor force, which partly causes poor integration of the youth. Many other reasons might help explain the problem, however, the lack of policy to integrate the youth and the fact that Haiti does not have a social safety net make unemployment an integration problem.
Therefore, as these findings show, the problem of high unemployment in Haiti is rooted from circular effects. That is the political instability produces the weakness and non-existence of institutions, which will hamper the labor market. The unemployment rate in Haiti cannot be as low as some sources suggest. The problem starts with the automatic exclusion of some categories with potential workers such as the people staying at home, others, or non-determined. The number of disabled is also a problem area because the questionnaire does not establish a clear difference between impairment and disability. In addition, studies of unemployment in Haiti should prioritize the size of the informal sector to tackle the underemployment problem. As the MPCE (1990) explains, the biggest challenge is not job creation, because the Haitian population will always try something. However, the activities of the informal sector cannot improve the living conditions of the citizens. In the next chapter, this study proposes an analysis of the possible determinants of the problem.
CHAPTER 4: IMPACT OF WEAK EMPLOYMENT INSTITUTIONS

The data from the three different censuses and the surveys show troublesome indicators of the level of unemployment and underemployment in Haiti. With the MDGs (1995) dictating a 50% reduction of poor people by 2015, Haiti is more likely to fail to achieve this goal on time. There are no real signs of amelioration of the economic situation in 2009, which suggests inefficacy of the economic development policies applied so far. What is the impact of weak and nonexistent institutions and the absence of employment policy? Many approaches can help in explaining the problem of unemployment. However, this study has found that the problem is endemic; a complex of determinants, rather than a single factor affects it. This also means that this study cannot exhaustively incorporate all the determinants of high unemployment in Haiti because the pool it is too broad. Nevertheless, the findings from the data of the censuses reveal that unemployment in Haiti is primarily an integration problem. The youth entering the working age do not have any guarantee that they will find a job. This problem of integrating young workers into the labor market is the result of a number of issues in the economic and social system of the country. This study has found that the major determinants, among others, consist of a lack of social safety net and absence of employment policy, which transform the economy to an informal one.

4.1- Lack of a Social Security and Social Safety Net

Haiti ratified the ILO convention 122 (1964) which requires government to pursue the goal of implementing a policy toward full, productive, and freely chosen employment. Since every policy requires a legal framework, this convention in 1964 was
supposed to be the guidance of employment policy in 1971. That is, the Haitian
government should create the necessary institutions to implement and execute
employment policies for the welfare of its citizens. In order to play its role of a welfare
state, Haiti needs to have, on one hand, a sound economic policy and on the other hand, a
strong social security, and social safety net system. For the purpose of this study, social
safety net refers to a multiservice system that the state has to make available for its
citizens including unemployment benefits, employment regulation, welfare, universal
healthcare, universal education, shelter, and public transportation. This can help improve
the living conditions of Haiti’s citizens. From 1971 to 2003, most of these services were
not available to Haitians. Unlike many developing countries, Haiti was at its 200th
anniversary as a nation in 2004. However, most of its institutions did not exist before the
1970s. Thus, major services such as welfare, social security, and social assistance,
ordinarily available in many countries have a history of underdevelopment in Haiti. That
is, planning itself was missing in developing the country.

4.1.1- Absence of welfare to assist the vulnerable

First, Haiti has a welfare bureau, the “Institut du Bien-Etre Social et de la
Recherche (IBESR)” (Social Welfare and Research Institute). IBESR, as suggested by its
name, has two fundamental aspects, which are welfare and research. For the welfare
aspect, as stated in its organic law (1983), IBESR has the mission to provide means to
improve the economic, moral, and social living conditions of the population. The law
places emphasis on the most marginalized groups (women, children, and handicapped) of
the population to which IBESR has to pay particular attention. These vulnerable groups
are, more often than not, in need of assistance or unemployed; they need unemployment benefits to meet basic needs. In addition, IBESR has the mandate to fight poverty by providing social assistance while controlling the application of the different social laws. For the research aspect, IBESR, by law (1983) is responsible to conduct research to determine the causes of degradation of the living conditions of the population. From its research, IBESR shall propose solutions to be included in the social policy of the country.

Although the IBESR’s organic law has insufficient provisions, it is clear that it does offer some benefits to the poor. The irony is that IBESR now has only one major focus: child adoption. A visit to the welfare bureau (IBESR) by the principal investigator in 2008 left the impression that this bureau better suits the name “the marriage and adoption bureau.” A research on the internet for IBESR yielded 14 thousands links and the first thousand were concerned solely with adoption of children from Haiti. Although some might argue that this reflects mostly the work of the adopters and their access to publication on the net, the fact remains that the IBESR fails as a welfare agency. IBESR gives the impression of a private enterprise in quest of opportunity to maximize profit. Because the demand for adoption of Haitian children has increased in recent years, it shifts most of its resources to this process. In the meantime, the cost of filing for adoption has increased, making adoption one of the most profitable businesses to the social affairs ministry. While adoption is part of the services of IBESR, it is unfortunate that it has become its mission. The population is the one who picks up the tab, particularly the elderly. They spend their entire life working to earn a meager income, which is not enough to take them out of poverty.
In the 1970s and the 1980s, IBESR was famous for its meager social assistance to a group of the population. The assistance available for jobless, underemployed, and vulnerable groups of people was shared between the staff and their closest relatives. There are many anecdotes about the failure of IBESR in its mission; most of them refer to corruption. Under these conditions, there is no information and proposition provided for policy implementation. It is difficult to conclude that IBESR has not produced any research aiming at the improvement of the living conditions of Haitians. I prefer to give the benefit of the doubt by saying that I did not find any. Therefore, even if the Haitian governments had an employment policy, it would be inefficient because of lack of research findings and transparency of the activity of the IBESR.

The data from table 12.0 show that some of those people over 60 were still looking for their first job. Since the census does not consider the impaired population as part of the labor force, it is hard to say how many of the 153,636 were still looking for a job in 2003. Otherwise, this could suggest a more pronounced poverty of the elderly. Nevertheless, the data suggest that the majority of the elderly worked, if they were not impaired. This absence of a social safety net keeps them at work until their death. The state does not provide the basic services to alleviate poverty; they need to be self-reliant. The number of people from this group who worked or were impaired in 2003 represents 62.57%. Figure 11.0 provides a detailed illustration of the repartition of the elderly in 2003. It shows that the absence of a social safety net makes the elderly reluctant to drop out from the labor force, resulting in lack of labor force integration of the youth.
4.1.2- The Social Security Office, CAS, and the National Insurance Office (ONA)

The majority of the Haitian population, including myself prior to conducting this study, does not know the existence of a social security division in the Ministère des Affaires Social et du Travail (MAST). In fact, this division is not operational and does not play any role in assisting the population. The mission of the social security office is not clear. In comparison with other social security offices in other countries, it is fair to say that Haiti does not have one. In the organic law (1983), the social security office does not have any involvement in residents’ retirements. Its main activities remain in providing documents to establish the legal rights of any dependants upon the death of a relative. In addition, the social security office is responsible for providing an insurance card to its members. There is no evidence that this division is operational nowadays. Knowing the importance of a social security office, it is simply a mistake to label this
division as social security. These circumstances have created “unemployment of insertion” as described further in this study.

The number of people retired from the 2003 census illustrates perfectly the lack of social security. In 2003, only 3.13% of the elderly were retired. This situation leaves the elderly with few options as many of the alternatives are lacking in the country. Table 14.0 gives the specific rate of retired people from the age group 60 and older.

<table>
<thead>
<tr>
<th>Age</th>
<th>Population Total</th>
<th>Retired</th>
<th>% Retired</th>
</tr>
</thead>
<tbody>
<tr>
<td>60-64</td>
<td>187015</td>
<td>2477</td>
<td>1.32%</td>
</tr>
<tr>
<td>65-69</td>
<td>125733</td>
<td>2501</td>
<td>1.99%</td>
</tr>
<tr>
<td>70-74</td>
<td>133032</td>
<td>4451</td>
<td>3.35%</td>
</tr>
<tr>
<td>75-79</td>
<td>66528</td>
<td>2861</td>
<td>4.30%</td>
</tr>
<tr>
<td>80-84</td>
<td>56301</td>
<td>3737</td>
<td>6.64%</td>
</tr>
<tr>
<td>85-89</td>
<td>21432</td>
<td>1646</td>
<td>7.68%</td>
</tr>
<tr>
<td>90-94</td>
<td>15800</td>
<td>1082</td>
<td>6.85%</td>
</tr>
<tr>
<td>95+</td>
<td>12346</td>
<td>610</td>
<td>4.94%</td>
</tr>
<tr>
<td>Total</td>
<td>618187</td>
<td>19365</td>
<td>3.13%</td>
</tr>
</tbody>
</table>

Source: RGPH 2003

This table shows that retirement is not common in Haiti. The higher number of retirees from the age group 70-74 suggests some small effects from the establishment of ONA. However, those in the cohort of 95 and older did not have access to these services, which explains the lower percentage of retirees from this group.

Moreover, IHSI (2001) conducted a survey on the living conditions in Haiti; the results confirm the inefficiency of the social security office. The survey reveals that 83.5% of the employed population, excluding the informal sector, does not have a retirement plan. This situation affects more people in the rural areas where the number of people without a retirement plan is 85.8%. That is, the population is largely lacking in social security provisions. This reinforces the asserted problem that this study identifies.
The survey found only 13.9% with a retirement plan, and most of which were employed in government’s positions. The portion of people working in public administration, defense and security, education (public schools), and other employees of the public administration are more likely to have a retirement plan. The social security bureau performs a slim amount of its intended purposes. Thus, evoking its existence to the working poor is purely an irony.

In addition, the MAST has an insurance office called National Insurance Office (ONA). This is the most visible institution of the system in Haiti in terms of contribution of employees and their employers of the formal sector. ONA collects 12% of every employee’s salary as an insurance fund that they will have access to “when they retire.” The employees contribute 6% and the remaining 6% is the contribution of the employers. Despite the fact that Haiti has a scarcity of jobs in the formal sector, the small percentage of employed has made their monthly contribution that make this office powerful in terms of cash flow. However, this cash flow, more often than not, finds its way to private bank accounts and embezzlement schemes under a lending program attached to its organic law. The insurance office has produced mixed results since its existence. Yet it is the only one with an administrative structure and policy shaped to respond to the needs of the aging population of employees. More studies are necessary to evaluate the efficacy of ONA, as Haiti is facing a large number of elderly working in the formal sector.

Finally, the organic law of 1983 created an administrative structure, the “Caisse d’Assistance Sociale (CAS),” to assist the most vulnerable people in the country. However, this program remains available only in the capital city in an upper middle class
neighborhood where needy people do not feel welcome. This program, which is the prototype of the Women Infants Children (WIC) program in the United States, has never reached those that need it the most. Apart from the problem of corruption that impacts this institution, it is operating incognito, where only a selected group of people benefits from the meager allowances it provides.

4.1.3- Possible alternatives: remittances and life cycle savings

The failure of the state to have a social safety net could be compensated if the economy was functioning properly. An alternative is that the elderly could rely on family members for help. Haiti is a cooperative society that prioritizes collectivism among family members. The motto of the country is “together we are strong” and it expresses the importance given to association and union to create a safety net for the family in its extended context.

The best support that the unemployed population in general and the elderly in particular can have comes from remittances. This offers an alternative to the lack of a social security program. The belief in Haiti is that every family has at least one relative in the Diaspora. Although this relative can be a member of the extended family (cousin, uncle, close friends, and good neighbors), s/he will feel compelled to provide assistance if need be. Thus, many people will argue that without this strong social tissue, a majority of the Haitian population would have died of hunger. The Haitian economy has become reliant on remittances from its migrants. In 2004, according to Orozco (2006), Haiti received US $930 million from the Diaspora. It is the norm for migrants, temporary or permanent, to assist their family in Haiti. A student will transfer a significant percentage
of his or her stipends to family members for different needs. The fact that the elderly are still working suggests that most of them use the remittances to enter the informal sector by opening a boutique, a small shop, or buy and sell some goods at the open markets. This is the best alternative available but any variation of income in the Diaspora may change this dynamic. Also, the number of people who benefit from this may be very limited as a huge number of the migrants is illegal and is struggling to provide welfare for themselves.

Also, the unemployed and the elderly could rely on remittances from workers in the country. In fact, the ratio of income earners to non-earners is 1:6. That is one person is in charge of financially supporting six people. The same arguments of social tissue characteristic of Haiti remain true. But according to conventional wisdom, goodwill is not enough; without means willingness is futile. It is true that many people are working in Haiti, yet the income that they earn is not sufficient to play this role of providing welfare to the unemployed and social security to the elderly. To explain this inadequacy of income, take for example the level of the minimum wage in 1999, which was 36 Gourdes. Because the state does not provide a transportation system, a worker is more likely to spend his/her daily income in transportation and lunch. To ride the tap-tap in 1999, the cost could be anywhere from 5 to 15 Gourdes one way, depending on peak or off peak time. These costs added to one meal a day for a family of three make these jobs what many Haitians call cahe misère (hidden misery). In these circumstances, remittances are unsubstantial as an alternative to the missing social security for the elderly and unemployment benefits for the unemployed population.
Another valuable alternative could be life cycle savings of the elderly during their working period. Although Latortue (1998) mentions the existence of some credit mutual across the different generation in Haiti, the saving function has been sidelined if not ignored. The workers from the 1970s did not have any incentive to save. The financial sector in Haiti then, as well as the present, was moribund. The services that the banking sector offered during the period of reference for this research were limited to intermediation of FDI of the Multinational Corporations. This explains partly why the major banks were Canadian and French based before Sogebank bought the Royal Bank of Canada in 1985 and Banque Nationale de Paris became Promobank in the mid 1990s. That is the population did not have the support of a financial sector which is vital to the galvanization of the economy.

To some extent, this failure of the financial sector is not only a mistake of the Haitian leaders during this period. According to Stallings and Studart (2006), the policies during the post war period aimed mainly at industrialization, technology transfer, and international trade and did not place any emphasis on finance. Also, the available banks in Haiti during the 1970s did not have a savings policy. Lundahl (1979) identifies two major reasons leading to capital flight in the Haitian economy: The low interest rate and the political climate. The National Credit Bank (BNC) paid 0.25% average interest rate per year in 1971 according to Lundahl (1979); in the meantime, the average interest rate in the United States, Europe, and Canada was around 6% per year. Besides these problems, the availability of credit for the poor was not evident. According to Aristide (2000), the banks in Haiti would not attract savings from the peasants or the poor,
because of lending policy limitations. The major conditions to obtain credit were not collateral, but the social origin of the borrower. In this case, there was no possibility for the elderly to save for their retirements, or for the poor to borrow money.

4.2- Absence of employment policy

4.2.1- Institutionalization of employment policy

One of the major problems that this study identifies as an impediment to the economic development of Haiti remains the absence of institutions to implement a coherent employment policy. The irony is that the different governments that have succeeded the dictatorship of the 1970s are the first to complain about this problem and its consequences. But none of them has really attempted to create those institutions that are missing and reinforce those that exist but function ineffectively. The employment policy is the responsibility of a number of institutions including the Ministry of Socials Affairs and Labor (MAST), the Planning and External Cooperation Ministry (MPCE), the Ministry of Economy and Finance (MEF), and the Ministry of Education and Youth (MENJS). Although the principal investigator is mindful of the fact that the employment policy should be transversal, he focuses on the main policy organs of the country in order to analyze the absence of institutions and employment policy during the period 1970s – 2003. Therefore, the MPCE and the MAST with its branches constitute the main targets of this analysis.

To begin with, the history of the Plan Ministry (2007) in Haiti suggests that the concept of planning for economic development itself was controversial before 1978. For political reasons, the development plans of the country were entrusted to a cell of the
government under the supervision of the president. The history of the Ministère de la Planification et de la Coopération Externe (MPCE) (referred as the Planning Ministry in this study) consists of institutionalizing planning in Haiti since 1968. First, the National Council for Development and Planning (CONADEP) was created in 1968 with the tasks of implementing development strategies for the 1970s decade. Also, during the mid 1970’s, with more openness to the international community, the “Office Central de Planification et des Unités Sectorielles de Programmation” was created. This office implemented the 1976-1981 economic development plan under the supervision of the CONADEP. In 1978, the Planning Ministry was created and it was responsible for the elaboration, execution, monitoring, and evaluation of the economic development plan of the country. This Ministry implemented the 1981-1986 plan and since its duty has been reduced to crisis management because of political instability. As described by the history of the Planning Ministry (2007), after the 1981-1986 plans, planning of development in Haiti was put on hold. Nevertheless, the Plan Ministry was able to restart its planning in the late 1990s, although it has encountered difficulties along the way.

To have an idea of the employment situation in the 1970s I examined the development plan for the 1971-1976 periods. In fact, during this period, most countries in the developing world were using the 5-year plan suggested by the Breton Woods institutions; Haiti was not an exception. In 1971, Haiti had the (CONADEP); the then 21 year old president of the country was the president of this council. It is fair to say that this institution which was the center of economic development planning in Haiti was led by an inexperienced “boy.” However, one credit is that at least there was a development plan
called “Plan Quinquennal 1971-1976.” Also, despite all the misses, this period was considered as the most productive in Haiti’s economic history. In terms of employment policy, Haiti managed to galvanize the economy to, at least, create incentives for investment. Although the unemployment rate was very high, the country gave the impression of a take-off and suggested a brighter future for its citizens.

The 1970’s period marked a slight change in economic development policy. As Etinenne (2004) reports, there was an obligation for a change in Haiti as requested by the international community. The Ministry of Social Affairs and Labor (MAST) was established in 1967 and was operational in the 1970s. However, this ministry was functioning with no formal mission; its organic law was not established until 1983. That is, two major problems exist with the employment policy viewed on an institutional level. First, most of the institutions needed to implement, monitor, and evaluate the policy were missing. In 1971, there was no labor ministry in Haiti; it continues to be the case nowadays with only a weak labor office. Second, when these institutions have existed, their mission is blurry and their work can take decades to produce the minimum impact on policy.

The organic law of the Social Affairs Ministry of Haiti is found in “Le Moniteur,” the official publication journal of the country, dated November 24, 1983. In its preamble (1983), it states that the State has the obligation to create institutions with the mission to satisfy the needs of the population to improve their living conditions. This organic law raises a fundamental problem. The social ministry was created in 1967; the organic law was elaborated in 1983, 16 years later. This study wants to eschew itself from any
criticism on unknown fact, yet it is worth demanding how functional was the social affairs ministry without an organic law. This organic law also reveals many weaknesses surrounding the social ministry and its branches. This situation suggests that there was no possibility for great achievement. Most of these institutions were established before 1983, yet their clear mandate was defined in the organic law written in 1983. Trying to connect these institutions with the labor market, more often than not, can be ironic.

4.2.2- Absence of employment policy

Haiti gives the impression that there was never an employment policy to guide the economic development plans on their quest for full employment. In a document from the Planning Ministry (MPCE) (1990) there is a mention of an employment policy elaborated by the ILO in 1989. This document was not available in the MAST’s records as of December 2008 when this research was conducted. The most recent economic development policies suggest the non-existence of such policy at any time. This leads to the conclusion that, some propositions of employment policy might have been implemented through the United Nations agencies (UNDP, ILO, and UNFPA) but they were not considered by the Haitian policy makers. Thus, it is accurate to say that there was no employment policy for the period of reference of this study. This fallacy is unfortunate but real.

As mentioned before, the 1970s marked the period of the strategic development plans adopted by different developing countries. CONADEP implemented the development plans of the 1971-1976 and 1976-1981 periods. The document of the priorities and projections reveals a fundamental problem in the composition of the
CONADEP. The main institution responsible for the labor market regulation, normally the organ of employment policy, the MAST, was not represented at the CONADEP. This is inconsistent also considering the fact that Haiti followed the Import Substitutions Industries (ISI) policy during this period, which was designed especially for this cause. The 5-year plan was implemented without any employment policy per se. This suggests that if everything worked, Haiti would achieve full employment.

The 5-years plan 1971-1976 (1972) put emphasis on building infrastructure to attract investment. This marked the continuity of the openness of the country that started in 1967, which was an important step toward job creation. Although this study does not cover the period preceding 1971, many authors, among them Etienne (2004) report that 1971 was better. The rate of unemployment for this period, as seen in the previous chapter, was 43%. However, this start was going to impact the subsequent periods. The CONADEP managed to implement and execute its development policy with an indirect implication of an employment policy without formal organizational structure, which prevented the policy makers from tracking unemployment on a yearly basis. In this aspect, the development policy itself was faulty. Employment data play such an important role in indicating the shape of the economy that some countries collect them weekly. Yet it was not the case for Haiti since these data came out only with the censuses and some rare employment surveys.

In addition, the 5-years plan of the 1976-1981 periods did not have an employment policy. The first objective of the plan (1976) was to achieve full and decent employment for the population. It the meantime, the strategies consisted mostly in
institutionalization of employment policy during the 5 years of the plan. This suggests that the CONADEP put the cart before the horses; the institutions were still missing at the end of the execution of the plan. As a plan, the 1976-1981 was ambitious in terms of institutionalization. This promise of institutionalization was materialized in 1983 when the organic law of the MAST created most of the bureaus to assist in overseeing the labor market. However, today it has become clear that these institutions’ actions were ineffective. The high number of people in the informal sector, the low number of insured people from the formal sector, and the inefficacy of IBESR, ONA, and CAS serve as living proof of their failure.

As the Ministry of Planning (2007) reports, the political instability during the 1980’s and the 1990s put the planning of the country on hold. Haiti was a ship without sailors in the time of storm ready to sink. This happened in 1991 when a huge number of the factories closed their plants due to an economic and political embargo imposed by the international community. The employment policy during this period was not just implicit, but non-existent. The informal sector was the only alternative for the population without hope. Finally, the period after the embargo did not significantly change the economic development plan in terms of employment policy. The same budget of 1996 was extended at least 4 times due mostly to the institutional vacuum created by the politics of the government of the period.

When it comes to studying unemployment in Haiti, the absence of explicit employment policy remains the main avenue to explore. The employment policy should be a symbiosis of policy segments from multiple ministries to guarantee the achievement
of full employment. Any economic development policy without an explicit employment policy might affect positively the labor market, as did the 5-year plan of 1971. However, the results will not be sustainable as the plan does not include means for monitoring, follow up, and evaluation of employment. Haiti has missed so many opportunities to jumpstart its economy. Lack of vision added to corruption and political greed have always prevented the country to play its role of welfare state. It is crucial for the country nowadays to prioritize a true economic development plan aiming the improvement of the living conditions of its citizens. Full employment does not come automatically; its possibility remains questionable. Yet, having 65% of the population of a country living under the poverty line in 2007 does suggest nothing but faulty policy of its leaders.

4.2.3- Unemployment in Haiti: a problem of insertion

As suggested by many observers (Lamaute 2004; ILO 2005) the employment problem in Haiti is mostly a problem of insertion. The real problem remains in welcoming the youth to the labor force. The different censuses show that the youth are the most affected by unemployment. This analysis maintains the calculation of unemployment by the ILO standard to compare the unemployment rate in the different censuses. In 2003, the elderly population in Haiti was better off in terms of employment. This represents a big issue considering the fact that the elderly population should retire. In many countries in the world some of the elderly populations are still working. However, the case of Haiti is different because this population of 60 or older is still working due to the absence of a social safety net. Therefore, the lack of dropouts from the labor force by the elderly makes it difficult to integrate the youth.
Some may pose the arguments that employment is not a zero sum game. Employment usually has a multiplier effect; the elderly work force could create other jobs for the youth either directly with their income or indirectly by their consumptions. It is unfortunate that this study does not intend to examine the activities of the elderly, yet most of them are working in the informal sector earning a meager income. They manage to have a job from the better conditions they enjoyed in the 1970s as this study shows further. It is true that the size of the elderly population in the labor market cannot be the only cause of the integration of the youth. However, in many institutions, particularly the formal sector and government, a large number of people (35.7%) have more than 20 years working at the same places as the ECVH (2001) reports. Therefore, there is no doubt that this situation affects the integration of the youth in the labor market.

In addition, the problem of integration of the youth is caused by the weakness of the education system in Haiti. The Universal education law (1995) state that primary education is free for all children, yet the number of primary schools in the country is limited. The comparative advantage that Haiti offered to the MNCs in the 1970s, cheap labor, was going to face some drawbacks, as the sector was moving toward a broader division of labor in the 1980s. The promise of the MFA (1974) was that the formation of the workers and the youth should follow the assembling industry, which was the start of the industrialization process. The next steps would have been training in other important operations to increase productivity. This was an important opportunity offered to Haiti to overcome high unemployment. However, the country could not exploit this opportunity, as the governments did not create professional schools to fulfill this need.
A simple logic of the MNCs during the 1970s shows the importance of training for Haitian workers. Walt Disney, for example had some assembly plants in Haiti in the 1980s. The major activities consist of producing pyjamas for the global market. This production implies many steps, including designing of the pyjamas (USA), sourcing of raw materials (mostly in Asia), cutting of the fabrics in bundle, shipping of the materials to be assembled, and the assembly that Haiti was doing. Besides this process, there was need for quality control personnel, handling, and shipping experts. From all of these activities, Haiti provided only the assembly; that is, the company had to provide labor for the others. According to Isma (2002), 80% of the quality control personnel in the manufacturing industry in Haiti were from the Philippines. This increased the cost of production as these workers were treated as expatriate, which implies other employment benefits that the MNCs would not have to pay to a Haitian. In addition, the fact that the cutting and bundling of the fabrics were not done in Haiti increased the cost of production. At the end of the process, excluding proximity, it was less expensive to have an assembly line in China, Thailand, or Singapore than in Haiti. Therefore, the weak education policy during the 1970s affected negatively the integration of the youth to the labor market.

4.2.4- Comparative economic development policy from 1971 to 2003

A comparison between the three censuses suggests that in 1982 the unemployment the unemployment rate of each group was better than the one of the same group in 2003. In addition to that, people who were living in 1971 were the most likely to be working in 1982 and 2003. The question remains: why there were more jobs per capita
in 1982 than in 1971 and 2003. The difference in development policies for the different periods answers this question.

In fact, as the 5-years plan (1971) suggests, the 1970s were the years of the openness of the country to the international community. This tradition of openness started in 1968, found its peak in the 1970s with the favor of multiple changes in the international economy. One of them was the Multi Fiber Agreement (MFA) (1974) when an important number of MNCs relocated their factories in Haiti. From 1970, Haiti was one of the first choices of the MNCs because of its comparative advantage: cheap and docile labor, proximity to US and Canada, and political stability. Although the stability came from the fact that people were afraid of the dictatorship, it was a major condition to attract investment. As McMichael (2004) explains, the increase of wages in the NICs and the mushrooming of union in developed countries created incentives to the MNCs to relocate their factories. Haiti was just ready for that and it helped tremendously the economy in the 1970s.

Besides the favorable conditions of the international market, Haiti managed to start some infrastructure projects necessary to attract FDI. The international airport opened in 1968 was operational in 1971, and the electricity company built in 1968 was on the verge to increase its capacity. In the meantime the telecommunications company was created and in operation in Haiti. Haiti started the construction of most of the roads during the 1970s. These projects were the results of the policy to open up the market through Import Substitutions Industries (ISIs). Haiti attracted some big names of the manufacturing sector in the United States. For example, Haiti, during this period, had the
exclusive contract to produce baseballs for the Major League Baseball (MLB) through Rawlings. Many people consider this period as the take off of the Haitian economy. It marked the shift of the traditional sector to a debut of industrialization. Like Rostow (1960) suggests, the concentration of these activities was in the metropolitan area. Thus, despite the fact that there was no specific employment policy, the development policy of the 5-years plan 1971-1981 created some conditions for employment and investment. Although the unemployment rates of 1982 are questionable, most people will agree that the tendency of a lower unemployment rate was accurate. The development policy of this period had a positive impact in lowering unemployment in Haiti.

In addition, the agricultural sector in Haiti was still alive and its exportation during this period was pivotal for the economy. As the UN data (2008) show, the openness of the economy in the 1970s increased exports tremendously. The increase was credited to the implantation of the ISIs but also the agricultural sector contributed to this improvement. The major products cultivated in Haiti, coffee, cocoa, bananas, and sugar, were still in high demand at the international market. During this period, the Haitian American Sugar Company (HASCO) hired 3000 people and indirectly created more than 3000 other jobs. HASCO was not the only Sugar mill company in Haiti, but the biggest. Haiti had two other major sugar mill companies, Welch in the North and Darbone in the West, which contributed to its exports. While Haiti was no longer the pearl of the Caribbean during this period, it was comparable to its neighbors. Although the 5-year plan was implemented with a lot of issues, these development projects created employment, which impacted the labor market during the 1970s.
Moreover, the openness of the country generated an increase in tourism. From 1970, the number of tourists visiting Haiti has increased significantly. Haiti enjoyed a relative political stability during this period that allowed the cruises to make a stop in Haiti in their itineraries. This constituted a major contribution to the economy because it was a source to capture foreign currency. This research does not give an estimate of employment created through tourism but its importance is worth mentioning. Figure 12.0 relates the trend of tourism activities from 1970 to 1995.
Finally, the projects of the international institutions in the 1970s helped the economy in its quest for improvement. The major concern was overpopulation and in 1974, the UNFPA organized the first intergovernmental World Population Conference in Budapest to advocate family planning. A number of measures followed this conference and they requested mainly the developing countries to “control” fertility. Among those measures were education, healthcare, and economic development to create a major impact on reducing population growth. The World Bank and the IMF during this period advocated structural adjustment and liberalization of the market. These projects found important funding from the Bretton Woods system. Although family planning and structural adjustment brought their lot of problems, the impact at the beginning was promising. Figure 13.0 presents the trends of exports from Haiti from the 1970s to mid-1990s; the increase in the mid 1970s is the result of the preceding analysis.
Unfortunately, the effects of the development policies of the 5-year plan of 1971-1976 and 1976-1981 diminished since there was no continuity. In 1982, Haiti had about 2,300 miles of roads, of which less than 600 miles were paved as reported by Tata (1982). Starting from 1982, most of the infrastructure system of the country was deteriorating because of a lack of maintenance. There is no single explanation of this, yet most people think that corruption of the system was the major impediment. Tata (1982) notes a certain ambiguity in the development policy of 1977. The new industrial incentive law promised to give fiscal privileges to enterprises willing to relocate their factories in the rural areas. However, without infrastructure and supporting facilities, it is evident that such relocation was impossible. As a result, the metropolitan area witnessed the agglomeration of the industrial sector, which employed 70,000 people in 1980 (MPCE 1990). This was a real incentive to rural exodus, which convert the capital city into slums.
The absence of an employment policy was evident in the 1970s, yet the infrastructure projects produced some lever effects that created employment. However, in terms of public policy, the mid 1980s suggest that Haiti was a boat without sailors. The country literally collapsed in 1986 after a coup d’État against the dictator. Although the majority of Haitians supported this important political change, the promise to replace the dictatorship by democracy was barely fulfilled. From 1986 to 1990 Haiti knew 5 ephemeral governments and most of the changes were the results of bloody coup d’État. In terms of development, the results are resumed in catastrophe. The country became a nightmare for its citizens and very often, they believed that they were better off under the dictatorship. The promises of the constitution did not stand; some might argue that after its ratification it was kept in a drawer. The rural population has continued its exodus to the urban areas, particularly the capital, what Aristide (2000) calls the search for a “small” job. From 1971 to 1986, Port-au-Prince has grown at least fifteen times larger. As Todaro and Smith (2009) explain it, this creates a higher unemployment rate in urban areas. In the case of Haiti, the capital, which is the center of economic activities, has become crowded. This in turn has generated some out-law areas which produce a general insecurity hostile to investment and job creation. Therefore, the failure of materializing the promises of the 1987 constitution has worsened the unemployment rate.

As Figure 12.0 shows, starting from the 1980s, Haiti’s situation has worsened. The electricity company, for example, could not provide energy for the population. This put the country in a situation where all the investors see the costs of investing in Haiti as outweighing the benefits. The long periods of strikes during this time and the problem of
communications, electricity, and many others put most of the MNCs in a condition to relocate their factories to more stable places. Figure 13.0 shows the trends of electricity production in Haiti for the period of reference.

Figure 13.0: Trends of electricity production in Haiti from 1971 to 2003

Haiti, once the first option of some important MNCs has become less and less attractive to them. To illustrate this scenario there is no better example than the FDI trends. The country could not attract more FDI because of its political climate but even worse, it could not keep the ones it has. The manufacturing companies during the embargo moved to the Dominican Republic, Puerto Rico, China, and Jamaica where they can schedule delivery of their production to the market; a luxury that Haiti can’t afford. Figure 14.0 presents the trends of FDI from the 1970s to 2003.

![Trends of Electricity Production in Haiti](chart.png)

Source: WDI World Bank
Figure 14.0: FDI Trends in Haiti

Table 14.0 shows that during the period 1991-1994, the years of the embargo, FDI were negative in Haiti. This was the result of the relocation of the factories to Dominican Republic and other countries with relative stability. Many people consider this period as the lost years in Haiti’s economic development. The already limited FDI of the 1970s were reduced by 50% in the 1980s until the more significant decline during the 1990s. Although in 1999 the country attracted more FDI than any year, in 2001 Haiti was back to the 1971’s level of FDI.

4.3- Haiti versus the Dominican Republic

Another aspect to consider in attracting investment in Haiti consists of its bureaucracy and its corruption level. The World Bank (2008) publishes a document every year called “Doing Business.” The indicators confirm what De Soto (2000) finds in his “Mystery of capital.” Many times in Haiti information from radio station reports that many entrepreneurs fail to obtain legal papers to open their business in Haiti. The stories
are more shocking when some of these entrepreneurs decide to ship back their
equipments because of customs office regulations and a bureaucracy that require months
for legal status to be established. People who work in the private sector will agree that
there is no possibility to plan accurately with the customs office and the other entities
overseeing entrepreneurship in Haiti. In the meantime, the Dominican Republic, which is
next door, offers many advantages to reduce the burden of the process of doing business.
Table 15.0 compares the indicators of “doing business” between Haiti and the Dominican
Republic. The indicators are ranked on a scale of 1 to 186, 1 being the best and 186 the
worst.
<table>
<thead>
<tr>
<th>Ease of...</th>
<th>Dominican Republic</th>
<th>Haiti</th>
<th>Change in rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doing Business</td>
<td>97</td>
<td>110</td>
<td>13</td>
</tr>
<tr>
<td>Starting a Business</td>
<td>84</td>
<td>89</td>
<td>5</td>
</tr>
<tr>
<td>Dealing with Construction Permits</td>
<td>77</td>
<td>75</td>
<td>-2</td>
</tr>
<tr>
<td>Employing Workers</td>
<td>97</td>
<td>110</td>
<td>13</td>
</tr>
<tr>
<td>Registering Property</td>
<td>106</td>
<td>112</td>
<td>6</td>
</tr>
<tr>
<td>Getting Credit</td>
<td>68</td>
<td>61</td>
<td>-7</td>
</tr>
<tr>
<td>Protecting Investors</td>
<td>126</td>
<td>125</td>
<td>-1</td>
</tr>
<tr>
<td>Paying Taxes</td>
<td>72</td>
<td>139</td>
<td>67</td>
</tr>
<tr>
<td>Trading Across Borders</td>
<td>32</td>
<td>37</td>
<td>5</td>
</tr>
<tr>
<td>Enforcing Contracts</td>
<td>83</td>
<td>82</td>
<td>-1</td>
</tr>
<tr>
<td>Closing a Business</td>
<td>144</td>
<td>145</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: World Bank
One important detail that stands out from this comparison is the ease of employing workers in the two countries. At a glance, Haiti offers a better indicator (35) than the Dominican Republic (97) in 2009. Given this figure, the present study may suffer criticism, as one might think that this contradicts the analysis suggesting better conditions in the Dominican Republic. However, the question remains, why Haiti has a better ease of employing workers than the Dominican Republic. First, the indicator “Doing Business” suggests an answer. Haiti, in 2009, is the 154th of the 186 countries surveyed, whereas the Dominican Republic is 97. With such high difficulty to do business in Haiti, employing workers becomes a limited activity. In other terms, there is no need to consider “employing workers” in Haiti in this analysis as this is simply misleading. Also, the survey from IHSI (2001) shows clearly that more than 70% of the workers do not have a formal contract. An informal economy will always be quick to employ and lay off workers. Finally, all the indicators of this document suggest that Haiti is not business friendly. Therefore, for a country where the state is weak and such difficulties to do business, it is not surprising to have a huge percentage of unemployed individuals in the population. This, consequently, will create incentive for contraband, corruption and a tendency of the investors to conceal economic activity to escape the system. Although the Dominican Republic is not a perfect example, it is a better place to invest and follow the process of doing business.

In table 14.0, the indicators show the improvement of these two countries from 2008 to 2009. While the Dominican Republic clearly improved its ease of doing business in 2009, the indicators worsen for Haiti in 2009 as compared to their level in 2008. This is always the case in Haiti; the economic development policy, in a non-favorable political
climate, does not favor investment. The best way to compare Haiti and the Dominican Republic in terms of attracting investment is to look at their FDI trends. Many factors determine the advantage of the Dominican Republic, yet the ease of doing business is an important one. Besides the favorable climate to attract business, the infrastructure plays a big role in developing the Dominican Republic. This study does not aim at a holistic comparison of the two countries. However, some important aspects are worth mentioning. Figure 15.0 shows the comparison of the FDI trends between Haiti and the Dominican Republic. It might be difficult to see Haiti’s trends as figures for Haiti are very low, compared to the Dominican Republic, yet, it will help understand the distance between the two countries in terms of employment.

In addition, the institutional problem that this study identifies in the employment policy in Haiti leads to a comparison to the Dominican Republic and other countries in
Latin America. The ILO (2008) presents a document providing information about social security throughout the world. Compared to the Dominican Republic, Haiti is behind in all aspects. The Secretaria de Estado de Trabajo (in the Dominican Republic) through its National Social Security Board (CNSS (2001)) makes available for the country most of the sections that a social security program requires. In addition, CNSS and the Superintendent of pensions were created to oversee the retirement program. All the documents including advertisement, application form, and different sections of the programs are available online for a population with a 94% literacy rate. Needless to say, Haiti has not yet started implementing policy to tackle those same problems. The elderly population of today cannot count on the government and the youth progressing through the aging process without any certainty that they will have social security.

Finally, the date of creation of the social security programs in the two countries suggests more advantages for Dominicans than Haitians. The first law on social security in the Dominican Republic was established in 1947 and revised in 2001 and 2003 to include the informal sector (ILO, 2008). On the contrary, Haiti is still functioning under its 1967 law, which replaced the original 1965 original. This difference is significant considering the fact that the beneficiaries of social security in Haiti should satisfy two conditions: aged 55 and with at least 20 years of contributions. This automatically excludes a huge portion of the labor force in 1971 because the law was voted in 1967, 4 years earlier. It is difficult, under these conditions, to acquire 20 years and qualify for pensions. Although the results in the Dominican Republic are not yet at the level of the average in Latin America, the figures suggest they are far better than those in Haiti.
Figure 16.0 compares the percentage of people in Latin America receiving income from retirements and other pensions. Haiti has the lowest percentage followed by Honduras and Guatemala.

Consequently, a huge number of Haitians migrate every year to the Dominican Republic because Haiti cannot create enough employment for its labor force. This will reinforce the informal sector across the border where millions of products are sold every day. Haiti, once the breadbasket of the island, is now importing most of its necessities from the Dominican Republic.

To understand the difference in the level of development in general and employment in particular, I visited the border in December 2008 for the purpose of this study. My experience offers tangible proof of absence of the state in the Haitian side. The best way to define the common market between Ouanaminthe and Dajabon is “chaos”.

Although it is chaotic in both sides, the road infrastructure, the stalls of the merchants, the streets in the two cities, the houses, and many others suggest that Haiti has a long way to go to catch up with the Dominican Republic. The Haitians are struggling with a dusty
open market to attract the Dominicans to buy their products. The whole area is covered with either mud or dust, which causes many health problems for a population without substantial income and healthcare services. The contrast between the two countries raises questions from many researchers, considering both nations reside on the same island. The best answer among all remains the confirmed hypotheses of this research: absence of public policy, lack of institutions, and informality of the economy.

4.4- Implication of a large informal sector

The unemployment rates shown on the World Bank website surprise many researchers, particularly those from Haiti. The rates calculated from the censuses data also leave open some areas of discussion. Unemployment should be higher than the 27.84% found on the 2003 census. However, one thing is clear, besides the exclusion of some people in some categories, the contribution of the informal sector functions to obscure the real unemployment rate. This situation is common in developing countries where the regulation of the market is not a priority for governments. As stated previously, the informal sector in Haiti represents 85% of the employed population. That is, the majority of the economic activities of the country reside in the informal sector. A great deal of literature is available on the informal sector in studying employment. Nevertheless, this study aims at providing the meaning and the implication of the high percentage of people working informally in Haiti. This is important for two main reasons. First, the income generated through activities from the informal sector is not substantial to meet workers’ needs. It is common to hear that many people from the informal sector cannot afford education for their children. Second, Haiti misses a great opportunity by
having such a huge informal sector. Informal also means no taxes are being paid by this sector, which contributes to an already weak state.

Many authors (Aristide, 200; Latortue, and 1998; Déjoie, 2003) praise the courage of Haitians, mostly women, for finding their own way of engaging in activity to generate income. The fact is that anywhere there is a vacuum it has to be filled. The existence of the open market, many small shops called “bric-a-brac”, some *boutiques*, and some restaurants, to name a few, is an answer to the lack of services in the country. In Haiti, many of these small shops or *boutiques* are labeled “petit démélé (little activity).” It is common to see people from the elderly population selling coffee, tea, or herbs as medicine to try to survive. These activities, although they keep their entrepreneurs busy, do not generate enough income to make them independent from remittances. The problem of income generated by the informal sector is more crucial for those who live in the urban areas. The housing conditions are different in the urban areas where most of the workers have to rent a house as shelter. The cost of living in the capital city is almost three times that of other cities and easily four times when compared to rural areas (ECVH, 2001). In these conditions, encouraging the expansion of the informal sector will not bring a sustainable solution to the employment problem.

On the other hand, the informal sector implies economic activities that the state does not oversee. This is the main drawback of the informal sector. While the merchants are asking for better conditions in the open markets, they do not contribute, through taxes, to the revenue of the government. This is the fault of the governments for not regulating the sector. For each meal sold on the street, the state does not get a penny of
taxes; the same is true for the biggest informal commerce as well. The majority of the informal sector consists of “petit démélé”, but some big businesses are informal in Haiti because their proprietors had to skip the legal process required for business start-up. According to Isma (2002), the size of the sewing companies of the informal sector ranges from small businesses, employing two to five people, to large ones employing 50 people. An activity like screen-printing in Haiti generates substantial income to its proprietors. However, for every 1000 of t-shirts sewed by an informal factory and printed by its screen-printing section, the state does not collect a penny of taxes. The regulation of the informal sector could help in merging the small and insignificant shops, increase the revenue of the state and employ formally more people. This regulation would bring problems to the State, as people are reluctant to changes. However, formalizing many businesses would create many opportunities with positive domino effects.

Another factor to consider when analyzing lack of formal employment in Haiti is wages rigidity. The fact that the formal sector is supervised by the State makes it reluctant to hire people because of the implication of an employment contract. Once on a formal contract, the employer has to provide social benefits to the employees including allowances, bonuses, and employment security. These fringe benefits are considered painful by most of the national and international investors in Haiti, as there is a lack of qualification of the employees. That is, when hiring people, a manager is not always sure about his decision; and, because firing people comes with the burden of paying the statutory benefits. The informal sector offers the “advantages” to operate without paying the minimum wage and signing a formal contract with an employee.
As suggested by Tidrick (1975) the lower rate of unemployment in Haiti, compared to Jamaica and Puerto Rico, is based on the formality on the different economies. Because in Jamaica there is more formal and decent jobs, it allows the youth to have a higher rate of discount. That is, according to Tidrick (1975), they will wait for an opportunity to start with a formal and decent job instead of taking the first opportunity, which might be comparable to the informal jobs in the Haitian economy. In addition, the fact that those working in the formal sector have a relative substantial salary, they can afford to provide the basic necessities to the youth while waiting for their turn to enter the labor market. Therefore, countries like Haiti would not be able to afford high unemployment rate. Because the State does not regulate the market through the employment institutions and policy implementation, the best alternative for the labor force is the informal sector.

Finally, some people argue that the informal sector is a catalyst to tax evasion. The majority of Haitians believes that the taxes paid are not used properly. There is a mistrust of the State, which is characterized by the degree of corruption of the leaders and administrators. Transparency International (2008) publishes on a yearly basis the corruption indicator for the countries of the world. Haiti has always figured amongst the most corrupt countries after Somalia, Myanmar, and Iraq. Corruption is present in all sphere of activities in Haiti.

The informal sector in Haiti reflects the failure of the leaders to create a market economy. The needs of the population in terms of services are not fulfilled. Many national and international entrepreneurs are willing to invest in Haiti to provide those services, yet the
barriers of the state keep them away. Therefore, the vacuum is filled by the informal sector, which does not contribute to the revenue of the state. This research does not intend to suggest an elimination of the informal sector. It is impossible to transform the economy overnight. Instead, it aims at raising the opportunity that formalizing the economy would bring to the country. The different activities of the informal sector represent an avenue to explore in the future. A cost benefit analysis might be important to study for the Haitian economy. Nevertheless, this study foresees better employment conditions and improvement of the living conditions of the people by formalizing the economy.
CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

In summary, the situation of Haiti in terms of economic development in 2009 continues to retain the attention of researchers. Haiti, despite all the contributions and technical assistance from the international community, continues to be a country that cannot provide welfare for its citizens. People should not be deceived when talking about poverty in Haiti; it refers to a lot more than the analysis of poverty in Appalachian communities in the US, the ghettos, the inner cities, or in some Western countries where poverty is less abject. In the urban areas in Haiti, people are still living in house that they rent, yet without toilet; they are still sleeping by turns where night activities do not exist. In the rural areas, people continue to live in abject poverty where they lack all the basic needs. It is difficult to move from a place to another during the day because of a number of issues including dust, mud, insecurity, traffic jam, and transportation costs. On the other hand, moving during the nights represents the biggest challenge. The activities stop literally after 7:00 PM in most of the regions of the countries. The problems are ranging from insecurity to absence of public transportation after hours, passing through electricity, to name a few. The living conditions of the majority of Haitians are chaotic. With 78% of a population living with less than two dollars a day, with a literacy rate around 40%, it is clear that Haiti will not achieve the Millennium Development Goals. Although this problem is complex and may have many explanations, this study prioritizes the fact that income, the most important element of development, is missing to the Haitians. Therefore, considering employment as the best generator of income, it is
evident that Haiti has not created enough jobs for its citizens to improve their living conditions.

Those who share the concerns of underdevelopment in Haiti have approached the problem of unemployment differently. To begin with, the scholars supporting the political approach believe that unemployment and underemployment in Haiti have been high because of the political climate, which is not employment friendly. For a country with 31 coup d’état in its history and many other political turmoil, its establishment is most likely to hamper jobs creation instead of fostering it. On an economic angle, some researchers believe that the problem is more related to the lack of ability of the country to mobilize capital. Haiti fails to provide welfare to its citizens because it does not follow the basic rules of a market society. On the other hand, the subscribers of the sociologist approach think that the employment problem is more a society problem. They assume that the majority of the population is struggling to survive because of the policies shaped by the elites. Particularly the economic development policies did not take into consideration the population of the rural areas. This creates mass rural exodus which crowd the urban areas and results in higher unemployment and underemployment, thus poverty. However, this study, while acknowledging the importance of these approaches, takes a public policy approach to find the determinants of the high unemployment rate and underemployment. The problem of development in Haiti is characterized by the absence of employment policy and a lack of a social safety net to provide welfare to the citizens.
Since most of the sources could not provide unemployment trends for Haiti, it was difficult to find the rates of unemployment throughout the period of reference for this research. The rates of unemployment suggested by the World Bank raise skepticism on their accuracy. The data from the three most recent censuses also are far from being accurate, yet they were the only options available to analyze unemployment and underemployment in Haiti. The findings are interesting; the specific rates of unemployment vary tremendously from the youth to the elderly. Although the unemployment rates of the youth includes the age group 10-14, which overestimates unemployment in Haiti, many categories contribute to an underestimation. In addition, compared to the youth, the elderly population was better off in terms of employment for all three censuses. In 2003 particularly, the majority of the elderly were either working or impaired. Finally, this research finds that the informal sector contributes to 85% of employment in 2003. Therefore, considering unemployment and underemployment in Haiti, the rate could easily be over 90%, which characterizes the country that the world knows. Thus, this study supports the suggestions of higher unemployment rate in Haiti.

The absence of employment policy has jeopardized the economic development of Haiti from 1971 to 2003. The policy makers did not place emphasis on stimulating the economy to create jobs that people are looking for. This situation left a vacuum that only the informal sector was able to fill. Despite the fact that there was no employment policy in the 5-year plans of the 1970s, the country was better off. The economic development of the 1970s built some infrastructure to attract investment. This period had a great repercussion on the 1980s when Haiti had the lowest rate of unemployment. However,
there was no continuity of state, and most of the institutions necessary to implement and apply employment policy were missing. This was also the impediment of the political climate to the job market as many factories moved away from Haiti during the mid 1980s and the 1990s. Therefore, the absence of a transversal employment policy makes the labor maker hostile to the new comers.

In addition, the lack of social security and a social safety net system contributes to the high unemployment rate in Haiti. Unlike many other countries, most of the institutions that the employment market requires are missing in Haiti. The social security office in Haiti is not functioning. This explains partly why there is such a huge percentage of elderly still in the labor force. There is no retirements plan available to the majority of the workers; corruption and lack of resources prevent this institution to accomplish its mission, which is already unclear. Moreover, there is no welfare to assist the vulnerable. The unemployed population has to rely on remittances to feed their children and themselves. There is no institution to track the unemployed population and provide data to policy makers for better planning. In these conditions, the quest of full employment targeted by the different economic development policies in Haiti is elusive.

Finally, the absence of employment policy and the lack of a social safety net system transform the country to an informal economy. The elderly have to work to earn an income because they cannot count on welfare, social security and substantial remittances. Also, the absence of policy to integrate the youth in the labor market makes it more difficult to the elderly population, which has to take charge of the youth. There is no way, in such picture, that Haiti can achieve sustainable development. Therefore, it will
remain illusory when the leaders are talking about developing the country without touching the fundamentals of the problem.

This thesis has found that most of the analyses from scholars of different approaches are relevant to study unemployment in Haiti. However, the main problem resides in weak and nonexistent labor market institutions, which is caused mostly by political instability. This will prevent the policy makers from implementing employment policy to guarantee welfare to the population. One problem leads to another to finally create a country where most of the labor market is informal and 78% of its population living with less than two dollars a day. The problem of jobs creation in Haiti is complex. Like the Latin American countries, Haiti needs to create a labor department with many other specific bureaus to provide the necessary services. The MAST, IBERS, and ONA have not been effective in ensuring the welfare of the population. Moreover, it important not to believe that these administrations only can provides all services. Employment policy is an interdisciplinary policy, which requires the contribution of all branches of Haiti’s establishment. If these conditions are not met, the impact of the economic development policies will be very low and Haiti will always be worse off compared to the Dominican Republic and other Latin American countries. In the future, it might be interesting to study the process of creating the labor market institutions in Latin America in comparison to Haiti.

Recommendations

Haiti in 2009 remains the poorest country in the Western Hemisphere; all the indicators of development suggest catastrophe and failure of the state. Full employment
in the economic development policy in Haiti does not seem a goal that can be achieved very soon. It is more alarming to notice that the goal number 1 of the MDGs, “halve the number of people living in poverty and hunger” will not be achieved in 2015. This is the result of a lack of commitment of the leaders to work hard in implementing relevant policy to change the situation. It is unacceptable, in 2009 to see Haitians living in such horrible conditions like house without toilets, clean water, and electricity. Haitians are not lazy, they need to work and they can work. Haiti is ripe for development programs and the country is full with young able-bodied people waiting for opportunities to work. The policy makers have one job to do: put these people at work. This is all the country need to start improving the living conditions of its citizens. By asking the policy makers to put the Haitians at work, some might argue on the simplicity of that statement. Although it is very simple, it is also significant. What are the possible options available to put Haiti back on track in terms of employment? This question may have unlimited answers and all of them will raise discussion on methodology and application. I want to believe that besides the real employment policy that Haiti has to implement to create decent jobs for its labor force, there are many simple options available to jumpstart the economy.

First, the roads infrastructures available in the country are defunct; most of them were built during the American Occupation from 1915 to 1934 and the 1970s. In 2003, Haiti was still having cities that motor vehicles cannot reach because of absence of roads. In addition, the existing roads have mostly two small lanes, which create traffic jams, particularly in the biggest cities. This is the case of most of the highways also. That is if
the leaders decide to rejuvenate the roads infrastructure in the country, there will be jobs for at least one year for a significant number of people. Although these jobs will be temporary, they will generate income that can keep the population in a better shape. Moreover, the building of the infrastructure will have a huge impact on the employment market. It is possible to see the same impact of the 1970s’ policy in attracting investment. Furthermore, one of the major sources of income in Haiti is tourism, yet, some of the most attractive areas are occupied anarchically by individuals who do not value these areas. There is no decision to increase the potential of these areas, there is no maintenance and sometimes they serve as waste disposal for the population. Here, the idea is to transform the country in a work site to build the missing infrastructure to facilitate transportation of agricultural products among regions. Create some public goods that the market will not provide. This will reinforce the comparative advantage of each region and provide more income to the workers in every sector of the economy.

Another consideration is the liberalization of the customs policy for the activities that create jobs for the citizens of the country. Take for example the importance of the clothing industry, it is clear that this represents an important opportunity either for the investors or for the state in terms of taxes generation. Haiti continues to imports second hand clothing from the United States. This industry is one of the few where Haiti has a comparative advantage because it does not require too much advanced skills. The biggest barriers to this industry in Haiti remain the taxes charged by the customs office for the imports of raw materials. The logic of taxation was to discourage people to import products that Haiti is producing. However, there is no consideration on taxable and
nontaxable categories of the good imported from abroad. In the meantime, the demand of
clothes is satisfy by the second hand clothing and the “made in China” clothes imported
from Panama. Many factories prefer to deal with subcontract from their friends in the
United States, than investing in a range of products that will create sustainable jobs and
substantial income in the economy. This type of policy requires the involvement of the
private sector for its lobby. This can have a tremendous impact in creating jobs in the
economy.

Finally, there is urgency for the leaders of the country to create a political climate
to receive the promises of local and international investors. Every time Haiti gives a sign
of peaceful climate, it improves its FDI; the contrary is also true. This problem should not
be so endemic because the country seems to be ready for democracy. However, the policy
makers should put in place political institutions to serve as catalyst of the political
process. Haiti by now should have an electoral council ready to facilitate election in all
level according to the political calendar. The belief is that Haitians are so involved in
political turmoil because the economy is not functioning properly. If the politicians, more
importantly the government create the permanent and independent institution to monitor
the political process, the country will know peace. By ricochet, the economy will achieve
growth and the living conditions of the population will be improved because of the jobs
that will be created.

As described by Todaro and Smith (2009), the employment policy should not
focus only in creating jobs in the urban areas as it has the highest rate of unemployment.
Instead, the policy should tackle the migration problem to create incentives for people
living in the rural areas to stay. It might be possible to attract to migrate to the rural areas. Todaro and Smith (2009) propose a number of solutions to create jobs including expansion of small-scale industries, creation of appropriate rural-urban balance, and decentralization of authority to the rural areas. All the Ministries and Secretariats of state are in the Capital, Port-au-Prince. The different governments have always stressed the importance of decentralization, yet nothing has been done to make the institutions reach the majority of the population. Haiti is tired of being in underdeveloped; its population deserves better. It takes times to build a welfare state; it requires sacrifices to obtain good results. Poverty in Haiti can be overcome if the resources are used properly. The history of Haiti is made with hope and despair, happiness and sorrow. There is reason to believe that this generation will give more priority to sound economic development policy to improve the living conditions of the Haitians. May this thesis contribute in making a dent in the advocacy of employment policy and serve as a bridge to more interests in studying unemployment in Haiti in the future.
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