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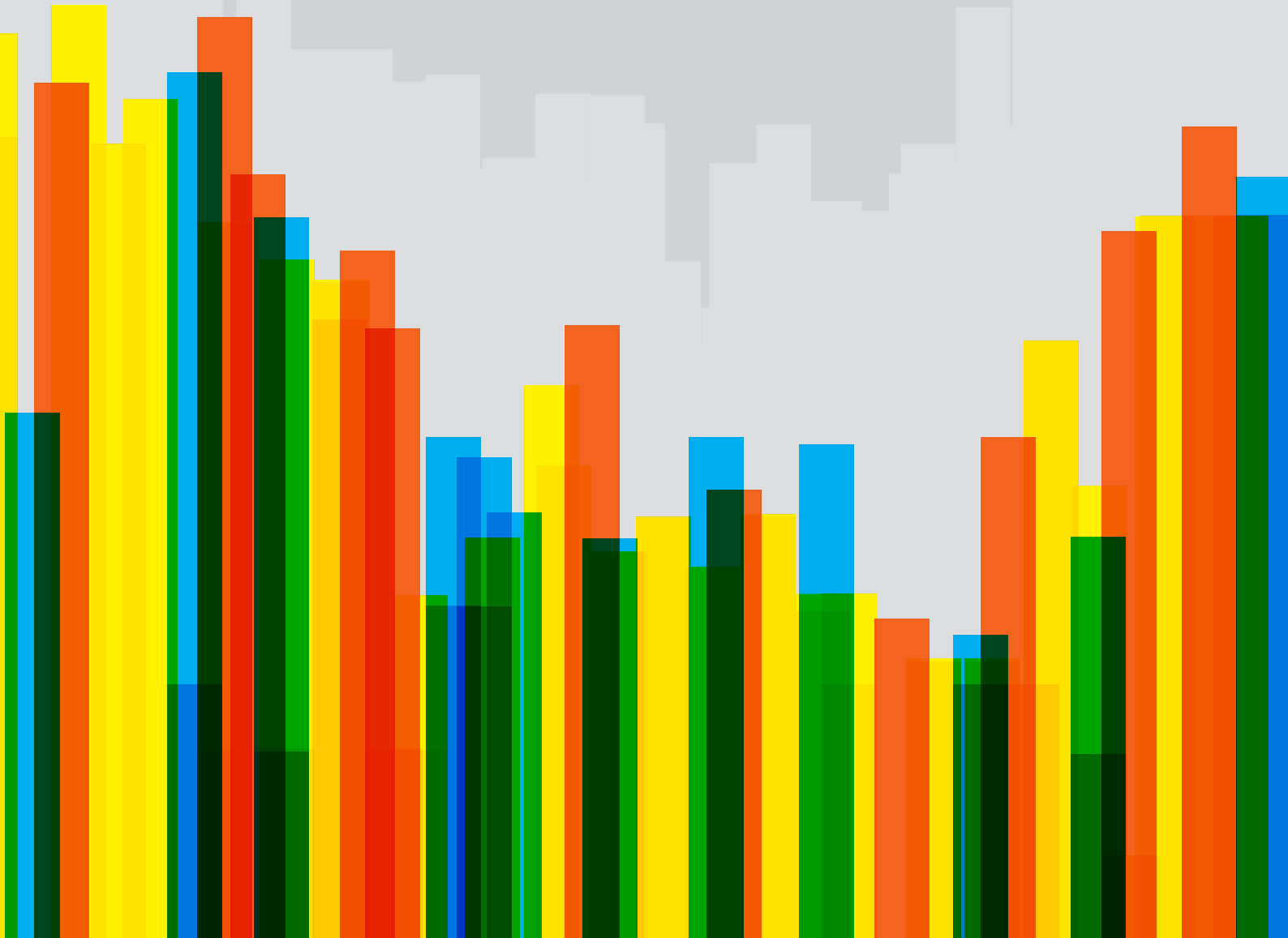
RETHINKING ECONOMIC GROWTH:
Towards Productive and Inclusive Arab Societies



RETHINKING ECONOMIC GROWTH:
Towards Productive and Inclusive Arab Societies

ILO Regional Office for the Arab States
UNDP Regional Bureau for Arab States

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Rethinking economic growth: towards productive and inclusive Arab societies

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Contents

Foreword 9
Background papers 12
Acronyms 13
List of definitions 15

OVERVIEW **Summary of findings and policy directions** 18
Introduction 18
The labour demand side: binding macroeconomic policy constraints 20
The supply side: more education but low labour force participation 22
The labour market in action: mixed results across the region 23
Quality of employment, poverty, inequality and social protection 24
Prospects 25
General policy directions 26
1. Macroeconomic policy coherence aimed at economic growth and shared benefits 26
2. Promotion of participatory and inclusive social dialogue 26
3. Expansion of coverage and increased effectiveness of social protection 26
Specific policies 27
4. Improved migration management 27
5. Well-designed employment policies and active labour market programmes 27
6. Increased quality and greater relevance of education and training 28
7. Better statistics and effective monitoring and evaluation of policies and programmes 28

Chapter 1 **Output and employment growth** 30
Introduction 30
Slow growth but fast employment creation 30
Sectoral changes in employment: resilient agriculture and expanding services 32
The private sector: still constrained after the reforms 34
The key role of migration in the region 38
Social unrest: the ingredients were present 39
Post-2010 policies: a strategic approach required 43
Concluding remarks 45

Chapter 2 **Population, labour supply, employment and unemployment** 47
Introduction 47
The labour force participation rate: not that low except for women 50
Uneven reduction in total unemployment 52
Youth unemployment: more concrete changes 52
Concluding remarks 61

Chapter 3 **Quality of jobs and standards of living** 63
Introduction 63
Quality of jobs 64
Working poor: fewer but not by much 64
Employment vulnerability: low but not for Arab women 65
Quality of life 68

Declining poverty but small gains in human development 68
Low expenditure inequality but little known about wealth accumulation 69

Chapter 4 **Education and skills** **74**
Introduction 74
The supply of education: educated and jobless 75
The demand for skills: at what wages and for what jobs? 76
Large inequality of educational opportunity 77
To vocationalize or not? This is the curriculum question 79
Educated entrepreneur or educated employee? 80
Gender parity: almost there but not quite 81
The case of the GCC 82
Concluding remarks 82

Chapter 5 **Social protection** **85**
Introduction 85
Social protection: limited coverage 85
Pensions: only for the formal sector, still fiscally unsustainable 85
Unemployment insurance: limited but expanding 87
Health care: uneven with high out-of-pocket expenses 88
Maternity: mainly for the public sector and costly for the private sector 89
Social assistance: fragmented and poorly targeted 91
Post-2010 changes: the need for comprehensive social protection 93
Concluding remarks 94

Chapter 6 **Prospects and policy directions** **98**
Summary 98
Low prospects and an ageing labour force 98
Policy directions 101
General policies 101
Macroeconomic policy coherence aimed at economic growth and shared benefits 102
Promotion of participatory and inclusive social dialogue 103
Expansion of coverage and increased effectiveness of social protection 104
Specific policies 104
Improved migration management 104
Well-designed employment policies and active labour market programmes 105
Increased quality and greater relevance of education and training 105
Better statistics and effective monitoring and evaluation of policies and programmes 106
Concluding remarks 106

Chapter 7 **Workers' perspective**
Breaking with the past: a new Arab development model promoting trade union rights, industrialization, wage-led growth and decent work **108**
Background and introduction 108
International labour standards 109
Freedom of association, collective bargaining and social dialogue 109
Creating jobs, structural transformation, industrial development and productive employment 110

Chapter 8 **Employers' perspective**
Creating an enabling environment for enterprise-led growth and job creation: the role of representative national employer and business membership organizations 115
Trade, competition and investment policies for growth, innovation, wealth and employment creation 115
Inclusive labour market regulatory frameworks 116
Regulatory frameworks that support innovation and promote competition 116
Tackling corruption and good governance 117
Increase efforts for more efficient and more equitable distributive mechanisms 117
The specific role of private sector organizations in policy dialogue 118
Recommendations for chambers and EOs in the region 118

Endnotes 120

Annex **Methodology and country groupings** 125

Appendix 129

Bibliography 146

Databases 150

List of figures

Figure 1.1: Arab countries had low GDP per capita growth in the 1980s and 1990s 31
Figure 1.2: GDP growth in the Arab region accelerated after 2000 but was still slower than other regions 31
Figure 1.3: The employment response to output growth was significant 32
Figure 1.4: Productivity gains have been small in the Arab region 32
Figure 1.5: In relation to incomes, employment growth in agriculture is still high in the Arab region 33
Figure 1.6: Labour reallocation across sectors contributed negatively to productivity growth in the Arab region 34
Figure 1.7: Most employment gains were in the services sector 35
Figure 1.8: Selected indicators for the private sector 36
Figure 1.9: Investments in manufacturing led to sizeable employment creation 37
Figure 1.10: Access to land is a major or severe constraint on investment 37
Figure 1.11: Income growth and voice and accountability have been low in the Arab states 41
Figure 2.1: Population and labour force pressures have declined in the last 20 years 48
Figure 2.2: Ratio of youth-to-adult population declined continuously 48
Figure 2.3: Demographic dependency has declined 48
Figure 2.4: Male labour force participation in the Arab region is similar to that in other regions 50
Figure 2.5: Arab region has low labour force participation rates mainly as a result of low female participation rates 50
Figure 2.6: Female labor force participation rate increased in practically all Arab countries in the last 20 years 51
Figure 2.7: The unemployment rate in the Arab region is very much influenced by the unemployment rate of women 51
Figure 2.8: In most Arab countries unemployment decreased 52
Figure 2.9: In MENA unemployment rates do not decline as household income increases 53
Figure 2.10: Youth unemployment in the Arab region is high in a comparative context 53
Figure 2.12: Female labour force participation tends to be low among middle income countries 55
Figure 2.13: Women are overrepresented among wage and unpaid family workers 56
Figure 2.14: Ratio of national workers to migrants workers in the GCC declined considerably since the 1970s with the exception of Kuwait 58
Figure 3.1: The share of working poor has been relatively low in the Arab region but declined slowly over time 64
Figure 3.2: The share of wages in GDP declined faster in the Arab region than in other regions 65
Figure 3.3: Vulnerable employment in the Arab region has also been relatively low and declining over time 66
Figure 3.4: The share of women in vulnerable employment compared to men in the Arab region is the largest in the world 67
Figure 3.5: Poverty rates in the Arab region are low but decline slowly 67
Figure 3.6: Progress in the HDI slowed down in all but one Arab country 69
Figure 3.7: All but three Arab countries score low on the HDI in relation to their per capita income 70
Figure 3.8: Arab countries have moderately low levels of inequality compared to other developing regions 70
Figure 3.9: Household consumption as % of GDP has been in decline since the 1990s 71
Figure 3.10: Despite economic growth, pessimism was on the rise 72
Figure 4.1: Educational achievement is lowest when there are no incentives to emigrate 75
Figure 4.2: Arab firms train least 77
Figure 4.4: Expenditure on education is high in the Arab region, but less so after adjusting for the number of children 77
Figure 4.3: Skills is not a major constraint 77

Figure 4.5: High inequality in educational achievement 78
Figure 4.6: Education can be compromised, if it is not equally distributed 78
Figure 4.7: Many are able to become entrepreneurs but do not do so for other reasons 80
Figure 4.8: Female to male ratio of enrolments by education level, 1960-2010 81
Figure 5.1: Schematic structure of social protection 86
Figure 5.2: Although composed predominantly of middle-income countries, social protection coverage is limited in the Arab region 86
Figure 5.3: Before the financial crisis, few Arab countries provided unemployment benefits 88
Figure 5.4: Out-of-pocket health expenditure in total health expenditure in Arab countries 2005-2010 89
Figure 6.1: Future growth in the Arab region may be among the lowest of all world regions 99
Figure 6.2: It takes a decade or even more to restore youth employment to the pre-crisis levels 100

List of tables

Table 1.1 Private sector priority constraints from enterprise surveys 2000s 38
Table 1.2: Employment growth (number) Jordan, 2000-2009 39
Table 3.1: Level and changes in the share of wage earners in total employment, averages for MENA region and World, 1991 and 2009 67
Table 4.1: Student learning is below average in Arab countries 76
Table 4.2: Educated Arabs tend to leave their countries, 2000s, % 77
Table 4.3: Percentage of executives reporting inadequately educated workforce 77
Table 5.1: Country responses to the Arab Spring by social protection measure 94
Table 6.1: In the future, the rate of growth of the number of the elderly will be 7 to 10 times faster than that for children 100
Table 7.1: Manufacturing value added (MVA) in selected Arab states and comparators, 2009 112

List of text boxes

Text box 1.1: From regional economic champion to leader of the political transformation 41
Text box 1.2: Liberalisation and employment 43
Text box 1.3: Labour standards, economic performance and inequality 45
Text box 2.1: The complexity of population structure and labour force changes 50
Text box 2.2: Gender inequality in pay 58
Text box 2.3: Economics and rights 61
Text box 3.1: Satisfaction with good job opportunities 69
Text box 5.1: The Arab Spring: implications for population health in MENA 91
Text box 5.2: Agricultural and rural development and food security 93
Text box 5.3: Principles underlying the social protection floor 96
Text box A1: A note on the regional country groupings and aggregate statistics 128

List of appendix tables

Table A1: Population and labour force 135
Table A2: Youth labour force and labour force participation rate 136
Table A3: Number of students, inactive youth and inactivity rate by gender 137
Table A4: Number of employed and unemployed (total and youth), (000) 138
Table A5: Total and youth unemployment rates by gender, % 139
Table A6: Country grouping 141
Table A7: Population by country and sub-region, 1990-2010 142
Table A8: Arab states population composition 143
Table A9: Labour force participation rate by country and sub-region, 2010 144
Table A10: Weighted and un-weighted LFPR and unemployment rate, 2010 145
Table A11: Unemployment rate by country and gender, 2010 146
Table A12: Growth in GDP per capita (USD $) and PPP, 1990-2010 147
Table A13: Real GDP growth rate by region, 2000-2015 147
Table A14: Comparison of key indicators between North Africa and Middle East 148

Foreword

The spread of popular uprisings across the Arab region that started in Tunisia in December 2010 has led to a review by the Regional UN Development Group for the Arab States of its priorities and approaches in the region. An integrated response strategy to key development challenges was formulated with a new framework for action based on four inter-related priority areas: inclusive development, democratic governance, youth, and the humanitarian-development interface.

Under the first priority area, the strategy calls for the preparation of a study to address the prospects for decent employment creation in the Arab states, with a focus on social justice and equity. The Report traces the consequences of the "Arab Spring" for labour markets in the wake of a surge in commodity and energy prices (for oil importers); the recessionary impact on public revenues; increased uncertainty for investors; a rise in unemployment; and greater demands for social justice. It seeks to offer insights to policy makers in the three sub-regions of the Arab states (the Middle East, North Africa and the Gulf Cooperation Council economies) as they tackle the dual challenge of addressing short-term crisis effects as well as pre-existing structural deficits.

"Rethinking economic growth: towards productive and inclusive Arab societies" was prepared by the International Labour Office's Regional Office for the Arab States and the United Nations Development Programme's Regional Bureau for Arab States, in collaboration with the Economic and Social Commission for Western Asia, the Food and Agriculture Organization of the United Nations, the Office of the High Commissioner for Human Rights, the United Nations Conference on Trade and Development, the United Nations Educational, Scientific and Cultural Organization and the World Food Programme under the supervision of an Advisory Group composed of leading regional practitioners and experts as well as representatives of employers' and workers' organizations. Our hope is that this Report will guide regional and international organizations in their efforts to assist in the design of more inclusive and coordinated national development policies.

The Report identifies social justice deficits in two key areas:

First, the pro-market reforms introduced since the 1990s have failed to deliver employment and social services to meet the growing aspirations of Arab citizens. Despite relatively fast employment creation in the Arab region over the past decade, the roll-back of the public sector as employer of last resort has not produced the expected results. The private sector has not become truly competitive while economic opportunities and wealth accumulation continued to benefit a few. This has led to an increasing sense of insecurity and alienation among citizens faced with persistent unemployment among youth and adult workers, low productivity and stagnant wages.

Second, the Arab region's greatest deficits are in the areas of social protection and social dialogue. Spending on social protection has been significant in terms of fiscal outlays in many Arab states but has mainly benefited privileged groups, giving rise to a sense of exclusion and unfairness. Social dialogue, where it existed, has not been fully institutionalized or sustained. There were no effective channels of communication between governments and citizens that would enable their voices to be heard and solutions to be agreed.

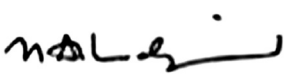
In sum, the pro-market reforms that aspired to replace the old social contract were neither participatory nor inclusive. The artificial trade-off between economic and political rights has been exposed. The two must go hand in hand. This Report emerges amidst continuing conditions of political stress and economic uncertainty in many Arab states and across the globe, especially in neighbouring Europe with whom many Arab states have particularly close links. Some lessons from Europe can complement those from the Arab region. The political transformations of Greece, Portugal and Spain in the 1970s did not prevent these countries from reaching alarming economic conditions today. Similarly, the liberal economic policies adopted by many Arab states since the 1990s failed to create sustainable political institutions.

The Arab states can collectively harness the region's ingredients for success: a youthful and increasingly educated labour force; untapped potential in agriculture, industry and services; and substantial financial and natural resources. Along with well designed and implemented employment policies, this would require better macro, industrial, trade, financial, investment and business development policies as well as transparent and accountable governance. The attainment of these development goals does not just depend on individual country efforts. It also requires more concerted intra-Arab cooperation, indeed greater regional integration.

The region needs a new development model. Decent employment creation is central to the design of a sustainable and equitable development paradigm. There is no substitute for broad reforms that aim to improve both the quantity and quality of economic growth. The economic and political challenges facing the region are daunting. However, our objectives are attainable: redefining the role of the State, increasing competitiveness and transparency of the private sector, equipping youth with the right skills, delivering high quality care, providing social protection to all, and having open and effective social dialogue.

The Arab private sector has potential as the limited gains achieved in recent decades attest. To unleash this full potential would require a level playing field within the private sector and a balanced public/private partnership. Greater transparency and accountability by the State are paramount in this respect.

Arab states must decisively cast off the remnants of an unravelling social and economic order towards an inclusive model of higher productivity. They must define a new social contract in a participatory way to meet the aspirations of millions of young Arab women and men who will no longer settle for less. The purpose of this Report is to contribute to the identification and development of policies to this end.



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OVERVIEW
Summary of findings and policy directions

Introduction

This volume was prepared amidst conditions of economic uncertainty and political stress in the Arab region. The more or less broadly accepted social contract that had prevailed for decades reached its limits in the 1990s. It was followed by economic reforms that to varying degrees failed to create shared economic growth. Political reforms are now under way in many countries of the region. External factors are also in play: in addition to geopolitical considerations, the Arab region is not immune to the current turbulence in the global economy.

The region also faces the consequences of the uprisings of the Arab Spring. Since 2011, most Arab economies have been dramatically impacted by social unrest, the surge in commodity and energy prices (for oil importers), recessionary impacts affecting private and public sector sectors, increased uncertainty for investors and greater demands for expansionary expenditure for economic recovery and social justice. The unrest has already had a huge direct cost, and has also contributed to a decline in economic activity and increased unemployment. Since 2010, the decline in regional unemployment rates has been reversed, with the largest increases registered in Tunisia (about 7 percentage points), Egypt (about 3.5 percentage points) and Syria (more than 10 per cent).

All this makes the need for re-examination of the development paradigm in the Arab region even more compelling. Along with the conventional pursuit of economic growth, issues pertaining to citizens' voice and government accountability can no longer be wished away under what appeared to be the underlying philosophy of many Arab reforms in the last 20 years or so. These reforms were often captured by the phrase "economic reforms first, political reforms later". However, the delay in adopting political reforms commensurate with the rising demands of citizens for dignity and accountability of their Governments led to the uprisings, the trajectory of which is still being shaped.

The approach "economic reforms first, political later" was neither participatory nor inclusive and proved to be unsustainable. Reforms in these two areas must now go hand in hand.

Economic growth now needs to be balanced and to create jobs and social services of the quality and quantity required to provide women and men and their families with security and dignity. On the production side, employers and the self-employed need a level playing field in order to be able to pursue legitimate profit-seeking activities, from micro and small-scale undertakings to full scale investments, and thus move away from rent-seeking activities and investments with quick financial returns that mainly benefited establishment elites and excluded the majority of ordinary citizens.

With these considerations in mind, the United Nations Development Group for Arab states/MENA in its Response Strategy & Framework for Action (2011) mandated ILO to take the lead, along with UNDP, to assess the employment situation in the Arab region and explore policy directions that would contribute to the development of a new, inclusive policy framework from a labour market perspective. This report is the outcome of this collective undertaking by the regional offices of selected specialized United Nations organizations. The aim is to improve the understanding of the underlying economic and labour market dynamics in the Arab region in order to redefine the traditional "social contract" under which the population (or, at least, part of it) exchanged political freedom in return for public sector jobs, free public services, low taxes and other state handouts.

The traditional social contract had already come under pressure by the very weight of increasing fiscal burdens on governments and rising gaps in productivity and competitiveness in the private sector. Since the 1980s, Arab countries were finding it increasingly difficult to co-opt the educated youth into relatively well-paid civil service jobs. The latter constituted a mechanism for upward social mobility and also served as a form of social protection. However, structural adjustment measures introduced in the mid-1990s reduced the ability of the State to serve this function and act as an employer of last resort. The adjustments lowered the incomes of public sector employees, privatized or reduced public expenditure on social services, while the private sector was still saddled with a weak and unaccountable system of economic governance, including non-transparent business and investment climates.

The analysis of this report encompasses these issues. It takes as a starting point that aiming for the highest possible rate of economic growth cannot ignore the quality of growth and its impact on ordinary citizens. While satisfying economic needs is always a desirable objective, policies in the Arab region must also address the demand for dignity and social justice. Employment is a key determinant of both economic and social outcomes. It has to be *decent* in the sense that it satisfies certain minimum conditions in the areas of pay and employment, social protection, social dialogue and labour standards. This would require a move away from the extractive "rentier State" to an egalitarian "productive State" based on a level playing field for all citizens, employers and workers.

Inclusive economic growth requires a move away from the extractive "rentier State" to an egalitarian "productive State" based on a level playing field for all citizens, employers and workers.

To this end, the report offers recommendations *at the regional level*, taking into consideration the diversity of the Arab region- between its three subregions that are defined in this report as follows: the Middle East (Iraq, Jordan, Lebanon, occupied Palestinian territory, Syria and Yemen), North Africa (Algeria, Egypt, Libya, Morocco, Sudan and Tunisia) and the states of the Gulf Cooperation Council (Bahrain, Kuwait, Qatar, Oman, Saudi Arabia and the United Arab Emirates).

The report aims, first, to offer policy insights to policy-makers in their twin challenge of addressing both short-term crisis effects and pre-existing structural issues; and, second, to guide regional and international organizations in their efforts to assist governments, social partners, and stakeholders in the design, implementation, monitoring and evaluation of more inclusive and better coordinated policies at national level.

Broadly speaking, priority policy areas that are more or less common in the Arab region include, at the *general* level: (a) the development and coordination of sustainable *economic* policies that would increase labour demand; (b) the introduction or improvement, where it exists, of *social dialogue*; and (c) an expansion of the coverage and improvement in the efficiency of *social protection* in order to create an effective social protection floor.

At the more *sectoral* level, this report identifies migration, active labour market policies, education and, more broadly, skills development as areas that can also make a contribution to addressing issues in the labour market. Designing and implementing such policies, as well as the more general economic ones mentioned above, would require a significant improvement in statistics and information systems in the Arab region.

The rest of this introductory chapter summarizes the main analytical findings of this report. It starts with the economic setting and subsequent reforms since the 1990s that are the main determinants of employment creation through labour demand (Chapter 1) before it examines key dimensions of labour supply such as education and labour force participation (Chapter 2). The outcomes of interaction of these two dimensions of the labour market along with social protection, affecting both the quality of employment and the level of unemployment as well as poverty and inequality, are mentioned next (Chapter 3 to 5). The report concludes with the prospects the Arab region faces and some policy directions that, if followed, can facilitate the challenging economic and political transition the region is going through (Chapter 6). Finally, the report includes two contributions from the social partners (Chapter 7 by Workers and Chapter 8 by Employers).

The labour demand side: binding macroeconomic policy constraints

This report argues that the obstacles to making productive use of the increasingly educated Arabs lie mainly on the labour demand side. The low-skill, low-productivity, low-wage economies will not be transformed into high-skill, high-productivity, high-wage economies simply by increasing and improving schools, vocational centres and universities.

A major conclusion of this report is that what constrained the creation of decent employment in the past has much to do with labour demand, the structure and nature of which was determined more by political considerations than competitive market forces. This is not surprising given the nature of the social contract and reforms that followed it, which did not create a transparent and level playing field for the private sector, a balanced public/private interface, or a distributional mechanism based on merit or need. Critical in this respect has been the role of investment, both public and private, that determines both economic growth and the way benefits are distributed.

The economic reforms downplayed the role of public investment on the assumption that it would be replaced by private investment. Private investment was expected to be more development-friendly as it would be driven by profit opportunities on the production side while meeting consumers and jobseekers' expectations on the social side. However, as this report shows, private investment failed to pick up after the reforms and continued at the traditionally low levels that had long prevailed. Foreign direct investment (FDI) in the region has been lower than in most other regions and, together with domestic investment, favoured mining and real estate, which attracted almost two thirds of the total investments between 2003 and 2010.

The economic reforms downplayed the role of public investment, introduced fiscal, trade and financial policies based more on theory than on country conditions and were overly optimistic about what the private sector could deliver.

Investment tended to favour capital bias in production. The bias in capital intensity of production, especially in countries with extractive industries, has changed somewhat in the last decade as the share of labour-intensive sectors (e.g. construction, tourism, and trade) increased. However, these sectors remain relatively small and often attract informal arrangements that are compounded with the prevalence of casual employment in the rest of the economy. This makes many of these jobs unattractive to job-seekers.

Trade policies favoured liberalization, paying little heed to local production or their overall impact on the economy. Intra-regional exports of non-oil goods are estimated to have been around 30 per cent below their potential, while regional trading agreements have not contributed to a deeper international integration of Arab countries. Complementary investment and institutional policies, such as in the area of transport and customs clearance, if properly developed, could have eliminated a number of obstacles hampering smaller firms and increased intra-regional trade by up to ten per cent. However, trade policies were deemed to be successful based on that promotion of "trade openness" rather than the more systemic effects these policies had on the sustainability and inclusiveness of economic growth.

The sale of public assets was welcomed as a sign of an unleashing of private entrepreneurial capital, with scant attention paid to the income concentration outcomes of handing over management of public goods to private operators. Public expenditure in the Arab region has not been associated with low unemployment as it has in other regions such as East Asia, where public expenditure "crowded in" private expenditure. The efficiency of public spending was low, as large amounts of government spending were devoted to imported goods or untargeted subsidies while failing to give adequate support to the domestic economy, including manufacturing and other value-adding industries.

The privatization drive that started in Tunisia in 1988 and Egypt in 1991 was part of a wider economic reform and structural adjustment strategy often associated with expected efficiency improvements in State Owned Enterprises (SOEs), consolidation of the state budget and support to financial markets. However, for privatization to have a positive effect, the removal of *direct* political control of governments should not result in control by the establishment insiders. What is required is that private markets are genuinely competitive. In other words, the privatization process in the Arab region was not independent of political elites.

More generally, privatization is affected by factors outside the narrow microeconomic environment in which privatized firms operate. For example, successful privatization requires changes in trade, financial and foreign investment policies as well as sufficiently developed capital markets and accompanying institutional reforms. These institutional, economic and political prerequisites were largely absent in the Arab region when privatization efforts were carried out.

Financial policies, like trade policies, focused on liberalization, while high inflation rates led central bankers to focus too much on price stabilization, instead of adopting a more balanced approach including attention to productive investments and promoting full employment. While the economic reforms managed to reduce the high rates of inflation, unemployment persisted though it also started declining slowly. This suggests that structural supply bottlenecks persisted, including in the food, energy and housing markets. In some countries inflationary pressures were reinforced by political instability.

Many Arab currencies have been pegged to the US dollar and the euro. Consequently, monetary policy in the region is tied to the stance of central banks elsewhere. Any excessive interest rate spreads encourage unhealthy carry trades (speculation on currency changes), thus leaving the region's monetary authorities unarmed in the face of external pressures. Exchange rate policies can play a decisive role in a country's ability to react to external shocks, as the ongoing difficulties of the euro zone member countries currently under stress suggest. Exchange rate policies and capital controls can also affect the resource allocation between traded and non-traded sectors, hence impacting the dynamics labour demand. Adopting a more balanced approach could have created needed policy space to promote employment creation and influence the diversification of the economy.

The pace of economic diversification has been slow. Economic reforms in the Arab region were slow to develop the required improvements in the institutional and business environments. The ills of unregulated financial markets are now well recognized as a result of the 2008 global financial crisis. Producer and consumer subsidies were being eliminated, instead of being rationalized. Public investment, especially in socially beneficial infrastructure and human development, was reduced in the hope that it would be replaced by the private sector. However, privatization failed to produce the expected economic efficiency gains.

The Arab region is characterized by two distinct approaches to taxation. First, there are countries that derive revenue from oil and have little need to impose income and value added taxes. This enables oil-based economies to spend without the need to extract taxes from the population and without rigorous checks and balances. Other Arab states that do not have an energy base and have much lower per capita incomes than oil-producers depend on raising revenue through conventional taxes. To the extent that in this group of countries revenue is raised through value added taxes, it tends to be regressive and does not distribute the tax burden in relation to the size of personal income or corporate profits. A fairer taxation system can reduce inequity and have a politically stabilizing effect. For example, the new government budget in Egypt envisages a capital gains tax on profits arising from stock market investment.

The pace of economic diversification and structural transformation was slow, and the nexus between food insecurity, water management and rural development received little attention with adverse implications for both formal and informal employment.

Despite the vast scale of food insecurity and water scarcity and the strong nexus between poverty and poor management of natural resources, economic reforms in the Arab region have displayed indifference to the environmental challenge and the deterioration of natural resources in the region. The region is marked by limited investment in the management of water resources, poor irrigation and low agricultural productivity. The ongoing population increase, though at a lower rate than before, is bound to aggravate these problems. The size and composition of population issues are also critical for the supply of labour and are discussed below.

The supply side: more education but low labour force participation

The analysis in this report points to the conclusion that jobseekers, including youth, have done what is expected of them. Their educational attainment has increased significantly along with their willingness to take up work that is available, even at existing wages. When wage employment is not available, they engage in whatever jobs they can find, including in the informal sector. Unemployment has been declining, though not uniformly across the Arab states. Understanding the dynamics of women's employment and migration policies, along with the underlying demographic changes, is key for tracing the consequences of the effects of economic reforms for employment creation.

More specifically, the labour force participation rate has not been as low as conventionally perceived. At face value, the total labour force participation rate for those aged 15 plus is only 54 per cent in the Middle East and North Africa Region (MENA) compared to a world rate of 65 per cent (excluding MENA). This substantial difference derives primarily from the position of Arab women in the labour market: the labour force participation rates for men are 76 per cent in MENA versus 74 for the rest of the world but the respective rates for women are 27 per cent versus 56 per cent.

Taking into account that the population in the Arab region is young and student enrolments have increased rapidly clarifies further the underlying dynamics of labour supply. Focusing on the working age population (15-64) and excluding students, the male labour force participation rate increases to 84 per cent in North Africa and 80 per cent in the Middle East. In fact, the labour force participation rate of working age males excluding students has increased by 4 per cent in North Africa and 6 per cent in the Middle East since 1990. Arab women's labour force participation rate also increased over time as did their educational attainment.

The labour force participation rate (excluding students) of male youth was rather similar in North Africa (68 per cent) and the Middle East (63 per cent) in 2010. These two figures were practically equal to those in 1990. In the case of female youth, the labour force participation rate (excluding students) was 32 per cent in North Africa in 2010, almost the same as it was in 1990. However, this rate for the Middle East was much lower in 2010 (only 19 per cent), although it had increased by nearly one-quarter (23 per cent) since 1990.

The aspirations of and demands for dignity by the increasingly educated job seekers, especially women, were not met because of the quality of jobs the economy was generating.

These changes in the level and gender composition of labour supply are important for assessing the labour market outcomes in the Arab region in the last couple of decades. First, compared to North Africa, the male labour force participation rate in the Middle East has room for growth (where, as mentioned, it is increasing faster, at nearly double the rate, than in North Africa). Second, and more importantly, much of the difference between these two subregions has to do with the very low female labour force participation rates in the Middle East. This implies that, in addition to economic policies addressing labour demand, employment policies in the Middle East need to pay more attention to women's issues. This proposition is reinforced in the next section, that discusses unemployment.

The differences in the labour force participation rates between North Africa and the Middle East can be compared to those of education enrolment rates. Focusing on the youth, 27 per cent of females were attending education in North Africa (5.4 million) compared to 24 per cent of males (5 million) in 2010. In the Middle East the respective numbers were lower at 21 per cent for females (1.9 million) and 22 per cent for males (2.1 million). Despite these gender differences, the increase in female education enrolments has been faster in both subregions compared to men. In the Middle East the number of female students has increased nearly six-fold since 1990 and their enrolment rate by nearly three times. Adding to these statistics, recent developments in the GCC states confirm the link between education choices and employment prospects. While in most Arab states there are typically more women attending university than men, in some GCC states women outnumber men by a ratio of 2 to 1.

As argued in this report, given labour demand constraints and institutional factors (such as regulations and norms), women are employed in the labour market only when wages are relatively high – and education is critical for that. This is also relevant in the context of a high rate of unemployment that is discussed next.

The labour market in action: mixed results across the region

Employment indicators for Arab men resemble those of other world regions. It is the position of women in the labour market that distinguishes the Arab region from other parts of the world.

Three key indicators of labour market performance are the employment/ output elasticity, the employment rate and the unemployment rate. They will be examined in turn.

The employment response to output growth has been significant in the last decade across all three Arab subregions. Employment/output elasticity was 0.76 in the Middle East, 0.70 in North Africa and 0.66 in the GCC. These are high figures, not only compared to high-income, mature economies, where elasticity values close to zero are not uncommon, but also to developing countries, where they tend to be around 0.5 or even lower (for example, Asian countries have had an average elasticity value of around 0.3 during the same period). Thus, economic growth in the Arab region has not been "jobless", although, as this report argues, any economic reform that moved countries away from the old social contract towards a greater role for the private sector was likely to increase employment.

The change in the employment rate in the Arab region following the economic reforms was commensurate to that implied by the high value of employment/output elasticity. In the last decade, the total (male and female) employment rate (excluding students) increased by 7.2 per cent in North Africa, though by only one per cent in the Middle East. The employment rate for women increased much faster than the total rate, at 22.2 per cent in North Africa and 16.1 per cent in the Middle East. These changes mask diverging changes in the employment rates for youth, however. The employment rate for male youth remained practically the same and that for female youth increased by 11.5 per cent in North Africa. However, the rate decreased for both female and male youth in the Middle East, the former by 3.6 per cent and the latter by 12.7 per cent.

These findings confirm the different labour dynamics between women and men, youth and adults and the Arab subregions and provide the background for an assessment of changes in unemployment. Unemployment in the region remains the highest of any region. However, like the labour force participation rate, the unemployment rate in the Arab region is very much influenced by the unemployment rate of women. The male unemployment rate in North Africa stands at 7.4 per cent and in the GCC at 3.1 per cent. These two rates are lower than in Central/South non-EU Europe and the Commonwealth of Independent States in Central Asia (9.8 per cent), the group of high-income countries (9.1 per cent) and sub-Saharan Africa (7.7 per cent). All Arab states in North Africa are below those rates, with the exception of Tunisia, which has a male unemployment rate of 13.5 per cent. It is in the Middle East subregion that the male unemployment rate of 11.7 per cent remains highest in the world. What boosts the total unemployment rate in the Arab region is the female unemployment rate of 17.4 per cent. The female rates in the subregions are 24 per cent (Middle East), 16.4 per cent (North Africa) and 13.4 per cent (GCC states).

Since 1990, the unemployment rate has declined in the Arab region, but not uniformly across the subregions. It has declined most in North Africa (by 24 per cent, partly because of the large reduction of unemployment in Algeria and Morocco, followed by the GCC states (by 4.6 per cent). It has increased slightly in the Middle East (by 2.6 per cent), where the decline in the youth-to-adult population was lower and the increase in female labour force participation was higher than in North Africa. In fact, the male unemployment rate even in the Middle East has declined over time, albeit only slightly (by 0.5 per cent).

There were similar changes in youth unemployment. The youth unemployment rate declined in North Africa mainly as a result of a decline in male youth unemployment, but increased in the Middle East, mainly because of an increase in the female youth unemployment rate. However, in both cases, the youth-to-adult unemployment rate declined by around 25 per cent, a significant decrease.

It can be misleading to look at youth unemployment rates alone since the composition of the total youth population is obscured, especially where there are rising education enrolments. Examining those neither at school nor at work gives a better understanding of the situation of youth. First, the share of youth neither at school nor at work has declined significantly in the Arab region since 1990, from 50 per cent to 40 per cent of the total youth population. This decline took place across all three Arab subregions, being greatest in the Middle East and the GCC, where school enrolments increased fastest. Second, despite continuing high female youth unemployment rates, there are more male youth unemployed than women.

In conclusion, the increase in unemployment rates that followed the decline in oil prices in the early 1980s was halted and in some cases they declined in 2000s. However, changes varied according to subregion, and between youth and adults and also males and females.

Quality of employment, poverty, inequality and social protection

Few indicators can be utilized to measure the quality of employment and the relationship between employment, poverty and inequality. The reliability of these indicators can be questionable on conceptual grounds and because of the lack of good statistics in the Arab region. The measures used in this report are the share of working poor in total employment, the share of workers in vulnerable employment, differences between country-ranking based on incomes and expected human development outcomes, the wage and consumption shares in GDP, social protection measures and, finally, citizens' perceptions of their welfare prospects.

Combining the evidence on these indicators provides a generally mixed picture. The share of working poor earning $2/day, and the share of those deemed to be in vulnerable employment, have declined in the Arab region in the last couple of decades, and declined more in the Middle East than in North Africa. However, the share of wages in GDP also fell, especially in North Africa, where it declined by 30 per cent from an already low base. Similarly, household consumption as a share of GDP declined and did so faster than in any other world region since since the mid-1990s. Although there is no available information that captures the widely believed increase in wealth inequality, income equality seems to have been stable over time. Conventional measures show that poverty is low in the Arab region and that the poverty rate has declined over time, although at a rather slow rate.

Where the Arab region seems to stand out, however, is in citizens' perception of the prospects for their standard of living. According to opinion polls, the Arab region was the only region in which citizens were more pessimistic about their prospects in 2010 than earlier in the decade. This deterioration in expectations among Arab people is particularly significant in that it applies to a period when GDP was rising, employment was increasing and unemployment was on the decline.

The situation is clearer in the area of social protection. Originally, and as part of the social contract, social protection was administered mainly through employment in the public sector and the concomitant benefits, while the majority of the population benefited – though not always equally - from various subsidies and access to expanding education and health services, which did not in most cases reach a satisfactory level. This type of approach to social protection proved fiscally unsustainable, failed to satisfy the increasing aspirations of the population and in any case began to be reduced following the economic reforms. The coverage of unemployment insurance in the Arab region remained the lowest in the world till 2010, with the exception of sub-Saharan Africa, which has lower incomes and higher rates of informality than the Arab region.

Though employment increased and poverty was reduced, the share of wages and consumption in GDP declined faster. Citizens were more pessimistic about their prospects for their standard of living in 2010 than earlier in the decade.

The economic reforms and the receding role of the Government had implications for the management of environmental resources and their employment implications. This is especially relevant for the Arab region where agriculture remains an important employer outside the GCC economies. The scale of the food challenge in the Arab region can be inferred from the great importance governments have historically assigned to food subsidies, which have started to be reintroduced in various forms and to varying degrees since 2010. Arab low-income countries are undoubtedly the most vulnerable to food price hikes, while sustainable use of environmental resources is perhaps the most serious long-term development challenge facing the Arab region, given the higher share of food in their basket of consumption and the weak coverage of other social protection mechanisms.

Prospects

Setting the evidence contained in this report against the likely determinants of the unrest in the region, two main conclusions are, first, the economic growth rates following the post-1990s reforms were indeed high by historical standards and economic growth has not been jobless. Second, *on a per capita basis*, the increase in incomes in almost all Arab states was among the lowest in the world, and the Arab region was the one in which citizens had the least voice and in which there was the least government accountability. The Arab Spring brought to the fore the pent up aspirations of the rising and more educated middle class and increasing demands for dignity. The economic gains arising from the reforms seem to have gradually lost value in the eyes of citizens given increasing uncertainty as a result of the roll back of the State in the areas of employment, social protection and lack of transparency.

The population dynamics are likely to accentuate recent trends. The projected annual rates of growth up to 2050 are: 1.4 per cent for the total population, broken down to 0.4 per cent for children, 0.6 per cent for youth, 1.4 per cent for the working age population and 4.3 per cent for the elderly. The slowing down of the increase in the working age population and the increasing share of the elderly add to the challenges facing the Arab region.

Arab states will face future economic growth rates that fall below levels required to reduce unemployment as their populations both grow and age.

Since 2010, many Arab states have taken a double hit: lower economic growth rates and increased fiscal outlays in the form of "peace dividend". According to the latest projections, economic growth in the Arab region up to 2015 will be among the lowest of all world regions except Latin America. North Africa is likely to have the lowest economic growth rates: 3.8 per cent compared to 4.5 for the Middle East. These rates of growth are barely adequate to reduce unemployment at any significant rate in the future.

The requirement for economic growth will not be satisfied unless macroeconomic and governance conditions improve to attract much higher rates of investment and address structural and institutional issues that were not addressed by past reforms. The post-2010 adverse effects on regional output and employment growth may take some time to subside. A particular case is that of youth, whose (relative) gains may even be reversed. The adults of the future will be better educated than adults are now, but youth cannot go on increasing their education enrolments forever. This will make the future youth labour supply relatively less competitive compared to that of adults.

Recent evidence from crises shows that youth unemployment persists long after growth resumes. In addition, the evidence from Southern Europe in the 1970s, Latin America in the 1980s and Eastern Europe in the 1990s suggests transitions are associated with opportunities for rent seeking, untested institutional reforms and a multitude of economic challenges. Of the 103 cases of major transitions toward democracy in all regions in the past half century, almost half (46) were followed by sharp declines in per capita incomes with the cumulative difference in income growth between successful and unsuccessful reformers reaching 35 per cent in the five years following the onset of the transition.

Most governments in the Arab region adopted various labour market and social protection measures following the uprisings. These measures seem to be more reactive than the result of a vision for sustainable and shared economic and social development. They may lead to some redistribution and provide relief in the short run but could also come under the same pressures that prevailed in the past, leading to their reform or abandonment. In addition, the measures were introduced in a rather top-down manner rather than through popular representation in decision making.

The Arab countries should therefore continue with reforms, but reforms different from those introduced in the past. The findings of this report provide some guidance for policy directions to create an inclusive, more sustainable, path toward economic growth. These directions can be grouped into those that address systemic issues across the economy and those that are more specific in nature and in their objectives.

At the general level, this report recommends: (a) policy coherence that leads to better outcomes in terms of aggregate productivity gains and increases in average wages, (b) social dialogue that increases citizens' voice and government accountability, and (c) social protection that provides income and employment security by pulling risks across the whole population, and enhances human development that would not necessarily have been possible under private insurance mechanisms. Each of these is discussed in turn below.

General policy directions

1. Macroeconomic policy coherence aimed at economic growth and shared benefits

Policies should be broadly-based and take into account their social impact. Policy-makers must bear in mind not just the theoretical effects of changing each individual policy but the combined effects of all policies in place - fiscal, monetary, financial, industrial, trade, investment, and private sector development policies. The policy package should not just aim at the fastest possible rate of economic growth but should take into account the quality of growth.

The move towards a private sector-led model needs to take into account the role of the public sector. There are important synergies between the public and private sectors. Exploring complementarities between them, through the right public/private partnerships and balance, can increase production and citizens' welfare. Where privatization is warranted, it should carry economy-wide benefits rather than constitute "denationalization" processes whose returns accrue to a small group.

The private sector should also operate in a competitive and transparent environment unlike that in the past that favoured those who were willing to strike deals with the elites and in certain economic activities only, such as those in the real estate, telecommunications, tourism, financial and banking sectors. The incentive regime should be such that private investments (including FDI) should not be associated just with quick private returns. Financial markets should be regulated to avoid the creation of asset bubbles that, in the social sector, affect adversity social insurance funds and increase the price of housing. Producer subsidies should be targeted at areas where social returns are highest. All in all, the promotion of markets should not be pursued on ideological grounds but because well-functioning markets promote both economic growth and social justice. Such an environment will avoid creating benefits only for a few through rent seeking activities. It would encourage the pursue of profits through productivity gains arising from fair competition, greater transparency and freer entry into various economic sectors. And it will apply to all entrepreneurs from the informal street vendor to foreign investors.

2. Promotion of participatory and inclusive social dialogue

Transitions entail winners and losers while inequality tends to increase during economic take-off and periods of fast economic growth. This should be recognized but not passively accepted. Instead, governments should acknowledge the fact and devise policies to counter it and then move the economy towards a more equitable outcome. Social dialogue improves the communication between leaders and various groups of people by creating an avenue for expressing concerns and reducing misunderstandings. When disagreement remains, it provides institutionalized mechanisms for conflict resolution, for example, in determining the right balance of employment protection regulations and the socially acceptable level of wages. A stable system of labour relations would also lead to predictable outcomes and thus encourage investment, and contribute to social justice by facilitating a fairer distribution of the benefits of economic growth.

More reforms are required but different than those of the past: Achieving productive and inclusive economic growth requires coherence between economic and social policies agreed through free and effective social dialogue.

A fundamental reform of labour relations is needed in order to enable social dialogue to take place in the Arab region. The wider movement towards involving political parties, social movements and civil society organizations in the democratic process should include free and effective dialogue between employers and workers. This has been missing in the region, especially as a result of the nature of workers' organizations which, where they existed, were segmented (for example between the public and private sectors) or were co-opted by the previous regimes.

3. Expansion of coverage and increased effectiveness of social protection

Following the Arab Spring, many states in the region – and not only those affected by the uprisings – introduced, expanded or re-introduced measures to expand employment in the public sector, increased salaries and pension benefits, and so on. While understandable from a political perspective in the short run, effective and sustainable social protection requires more than just "pasting over the cracks". When properly designed and implemented, social protection serves both an investment and welfare enhancing role and has positive returns to societies. It should not be seen just as costly fiscal outlay.

The coverage of social insurance in many Arab states that is restricted to workers in the public sector and private

sector workers with regular contracts, should be extended to include all workers who can contribute to the system, including the self-employed. For those who are not able to contribute to formal social insurance schemes, social transfers can alleviate poverty or generate considerable social returns, such as well-designed cash transfers that encourage children's education and increase access to health care. Unlike in the past, food subsidies can be better designed and implemented in view of rising international prices and since economic conditions are likely to deteriorate. The necessary fiscal space can be found through better allocation and targeting of public expenditures. The region's 'demographic dividend' can be also helpful in this respect: as the share of young workers in the formal labour force increases, the ratio of beneficiaries to contributors (dependency ratio) declines.

Specific policies

The three general policies discussed are critical for setting the overall envelope for productive employment at the macro level and creating equitable societies through social protection. Both can be better achieved through inclusive representation and social dialogue. However, these policies need to be supplemented with measures that apply specifically to the labour market. These include policies for migration, active labour market programmes, and education and, more broadly, skills development. Designing and implementing these general and sectoral policies would require a significant improvement in statistics and information systems in the Arab region.

4. Improved migration management

Migration has traditionally been a feature of labour markets in the Arab region: from North Africa mainly to Europe; from the Middle East to the GCC; and more informally intra-regionally between different countries, for example from Syria to Lebanon or Egypt to Jordan. It is as much an economic issue as an issue of labour standards and human rights for *all* workers when migrants' pay and employment conditions differ from those granted to national workers. When migration policies treat migrant workers differently from nationals, they also fail to respect and protect the rights of nationals, who are asked to compete in their own country under conditions that prevail in the country of origin of migrants. Such policies lead to segmentation of the labour market, at first between national and migrant workers and then to an additional segmentation between the public sector and the private sector by the resulting preference of nationals to be employed in the public sector. This in turn creates fiscal pressures as a result of an expanding public sector, in addition to over-employment and low productivity in the public sector that can have adverse effects on the quality of public and social services.

Migration is not just a labour market issue: it is an economic and social issue that determines the outcomes and rights of both migrants and citizens.

Migration policies should not be geared to the least labour cost option in the short-run but should contribute to the development of a high skilled/ high productivity/ high-wage economy. Otherwise, migration can accentuate inequality by giving employers access to low-wage migrants, thus increasing their profits but at the same time restricting the options for nationals and thus reducing their incomes from employment. At the level of the economy, productivity is restricted and the resulting low wages may in turn induce nationals to invest in educational fields that are less demanding. This can lead to credentialism, that is, incentives for nationals to invest in getting the minimum level or least demanding type of education that will just satisfy recruitment criteria in the public sector.

5. Well-designed employment policies and active labour market programmes

Active labour market policies (ALMPs) can help, if properly designed. These include employment services, career guidance, job counselling, labour market information, support for micro and SMEs and so on. There are many such policies and programmes in the Arab region but their targeting and implementation leave much to be desired. However, ALMPs can be useful in countering education and labour market failures, mitigating costs arising from unemployment by facilitating the reintegration in employment, and promoting efficiency and equity.

Though no substitute for the general policies mentioned earlier and the education policies mentioned below, ALMPs can help reintegrate some groups, including the youth who are in the forefront of regional developments. In this respect, promoting opportunities for youth entrepreneurship can boost economic growth and create jobs for young people. Related to this are necessary improvements in the regulatory environment that would make it easier for businesses, especially small and micro-enterprises – including those in the informal economy – to operate and grow.

6. Increased quality and greater relevance of education and training

Despite impressive recent gains, there is still room for improvement in access to, quality and relevance of education. Access remains limited, especially for girls in some countries, such as Morocco, Yemen and the sub-Saharan Arab states. Recent comparative analyses of learning outcomes of students confirm that average scores in all participating Arab countries are below the international average. Analysis of these results further reveals that the share of inequality in test scores accounted for by family background and community characteristics (inequality of opportunity) is high in several countries including Egypt, Lebanon and Tunisia where inequality is comparable to that in some Latin American countries, which are generally considered more unequal than Arab countries.

Education could also be more relevant to the needs of the labour market, especially the private sector. Curricula should be geared to the demands of the modern private sector. They should change accordingly as conditions in the private sector change and, if they cannot anticipate future changes, they should also offer opportunities for lifelong learning. Linking training to the needs of the labour market can be best served and augmented by involving employers in design and implementation as well as funding as such training will be valued by employers.

Though education output may not have been a constraint to the employability of job seekers so far, it can become so in the future. Improvements in quality and relevance of education are necessary and feasible.

More and better education, combined with still relatively high shares of youth in the population, can result in a "demographic dividend". Though there are no estimates of the effect of a high share of young and more educated workers in the Arab region, this favourable change in the composition of the labour force has been estimated to have contributed about one third of the increase in East Asian per capita GDP growth between 1965 and 1990, and that was a period of very high economic growth in East Asia.

7. Better statistics and effective monitoring and evaluation of policies and programmes

Data limitations, in terms of availability and quality, impose a significant constraint on economic analysis and policy design in the Arab economies. In addition, the relative absence of statistics makes it difficult to monitor and evaluate policies and programmes and can produce misleading results. The statistical challenge is even more important during periods of rapid change, especially adverse change, such as crises.

The absence of good statistics on salaries and wages constitutes another shortcoming in the region and perhaps one of the most important ones. There is very little regional information on wage levels and the composition of labour earnings, let alone changes in them over time.

Another area in which data are lacking relates to under-employment. In fact, the official measurement of unemployment may be meaningless when informal activities or inactivity have sizeable proportions. Only a few countries have incorporated informal employment modules in their labour force and establishment surveys. Others have conducted informal economy surveys though sporadically or only recently. If the structure and flows in and out of the informal sector are unknown, policymakers may miss a large part of ordinary citizens' employment effort and the changes in the labour market.

There are also other statistical areas that need additional attention. One such is "follow-up" surveys, as it is important to establish baselines for tracing changes over time. These surveys can be cross-sectional with retrospective questions or, ideally, panel/longitudinal. The region has a nearly complete lack of the latter type of survey.

Chapter 1: Output and employment growth

Chapter 1
Output and employment growth

Introduction

A major conclusion of this report is that the level and structure of labour demand has considerably constrained the creation of decent employment. This is not surprising given that the nature of the old social contract increasingly favoured insiders. Recent economic reforms since the 1990s have not sufficiently promoted policies that would create a transparent and level playing field for the private sector, a distribution mechanism for public services (including education and health) based on need, and employment opportunities for outsiders.

Economic reforms have downplayed the role of public investment as they expected reductions in public investments would be replaced by private investment. The latter was in turn assumed to be more development-friendly as it would be driven by profit opportunities on the production side and meet consumers' and jobseekers' expectations on the social side. It is now recognized that one per cent of GDP spent on infrastructure could in the short term generate as many as 87,000 new jobs in Egypt and 18,000 jobs in Tunisia.[1]

Private investment failed to pick up after the economic reforms since the 1990s while both domestic investment and foreign direct investment (FDI) favoured sectors such as mining and real estate that have limited employment impact. When investment did have spillover effects, they tended to contribute to the growth of services, such as construction, tourism, and trade. However these sectors remain relatively small and often attract informal arrangements that compound the prevalence of informal employment in the rest of the economy.

Trade policies could have played a more constructive role within a larger macroeconomic policy framework geared towards growth and a better distribution of the national income. However, they did not enhance productivity sufficiently, expand industrial capacity or contribute to sector-specific development. They were introduced independently of their employment impact and social objectives.[2]

Short-term considerations for quick returns to investors ignored the long-term impact of migration policies for creating sustainable and shared economic growth. Unmanaged immigration can accentuate inequality by giving employers access to low-wage migrant labour, thus increasing their profits but at the same time restricting the options for nationals and thus reducing their incomes from employment. At the level of the economy, productivity is restricted because employers opt for labour-intensive/low-tech methods that may in turn induce nationals to invest in educational fields that are less demanding. This can lead to credentialism, that is, incentives for nationals to invest in getting the minimum level or least demanding type of education that will just satisfy recruitment criteria in the public sector.

This chapter investigates these issues related to the nexus between growth, macroeconomic policies and employment creation within the context of enabling, governance-related factors. It concludes that economic policies, combined with poor structures of democratic and economic governance, have led to distorted economic incentives and patterns of structural transformation that are resistant to decent employment creation.

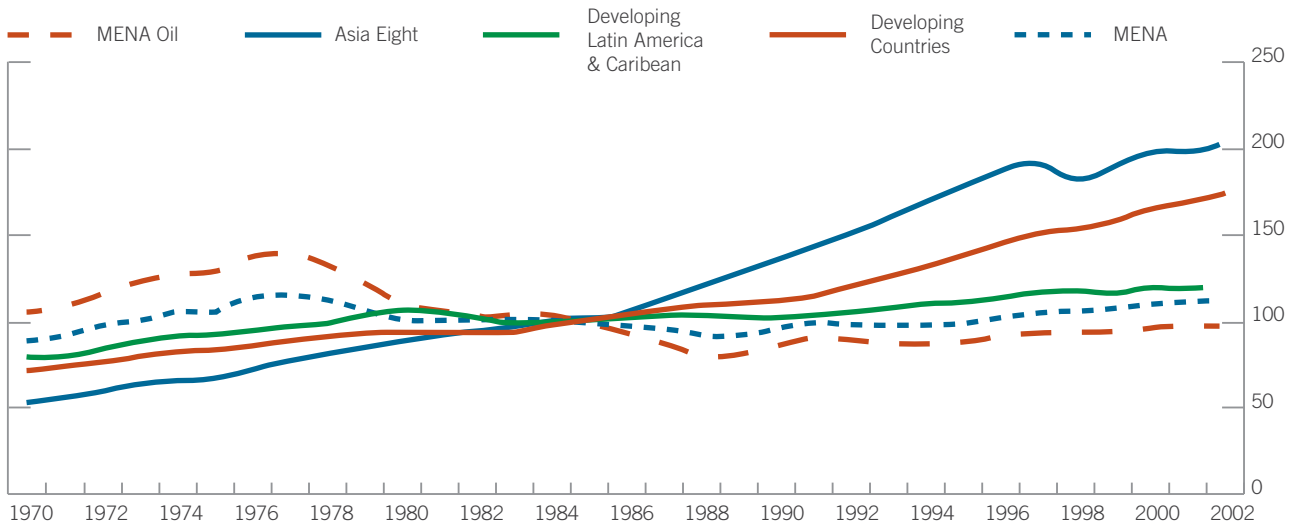
Slow growth but fast employment creation

The social contract was forged rapidly at the time of the first oil boom. Per capita income among oil exporters rose on average from around US$2,500 in the late 1960s to more than US$5,000 throughout the 1970s and early 1980s. Figures then declined and in at least one GCC State are still lower today than they were then.[3] Perhaps surprisingly, economic growth rates in the non-oil Arab states were higher. Per capita incomes tripled from their value of around $500 in the 1960s to nearly $1,500 by the early 1980s. They then stalled and started to rise slowly from the mid-1990s, like the oil-based economies (figure 1.1).

Since the late 1990s, many Arab countries have experienced relatively fast economic growth. After the so-called "lost decade" of the 1980s, the rate of economic growth in the region averaged 3.5 per cent per annum. It increased further to more than 4.5 per cent in the decade leading up to the Arab Spring. However, while significant by historical standards, the economic growth rate in the Arab states remained the lowest of all world regions with the exception of Latin America (figure 1.2). When population growth is taken into account, the increase in per capita incomes is less impressive.

Figure 1.1: Arab countries had low GDP per capita growth in the 1980s and 1990s

GDP growth, 1970-2002 (index 1985=100)



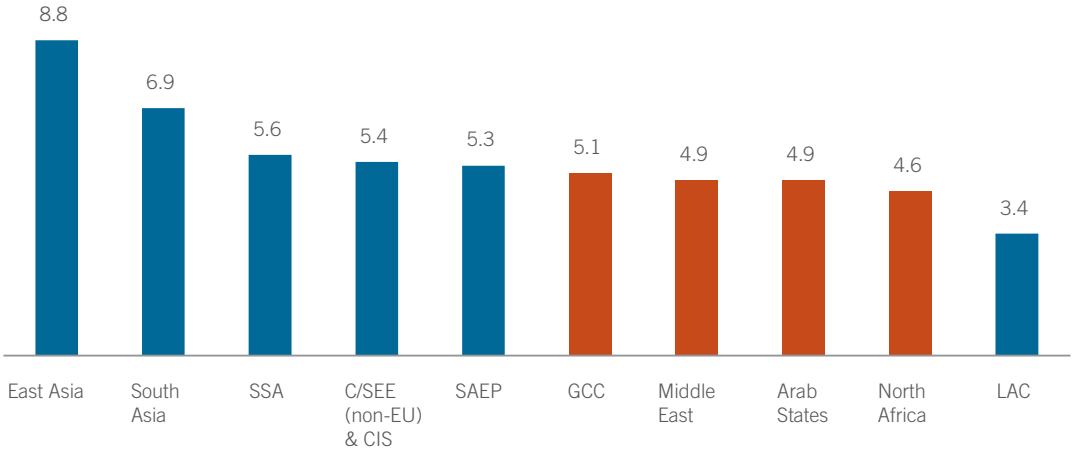
Source: Abed and Davoodi (2003).

The employment impact of even this comparatively low economic growth in the Arab region (compared to other regions) was substantial. The ratio of the percentage change in employment to the percentage change in output (employment/output elasticity) averaged 0.69 between 2000 and 2010. This is high by historical standards in the Arab region and more so when it is remembered that many governments had started to reduce their role as employers of last resort – at least until the Arab Spring.[4] As figure 1.3 shows, the elasticity in each of the three Arab subregions was double that achieved by the good economic performers in Asia. Equally important is the fact that employment growth in GCC states did not show a higher response to output growth, compared to the Middle East and North Africa states, despite the fact that employment choices in the GCC have traditionally favoured labour-intensive activities and are still based on large numbers of migrant workers.

The relatively low economic growth rates and high employment response in the Arab region compared to other regions implies that productivity growth has lagged behind. In fact, between 2000 and 2010 it had the lowest productivity growth of any region except Latin America. North Africa achieved slightly higher productivity growth than the Middle East, with the respective annual rates being 1.5 per cent and 1.2 per cent, as against a world average of 1.8 per cent.

Figure 1.2: GDP growth in the Arab region accelerated after 2000 but was still slower than other regions

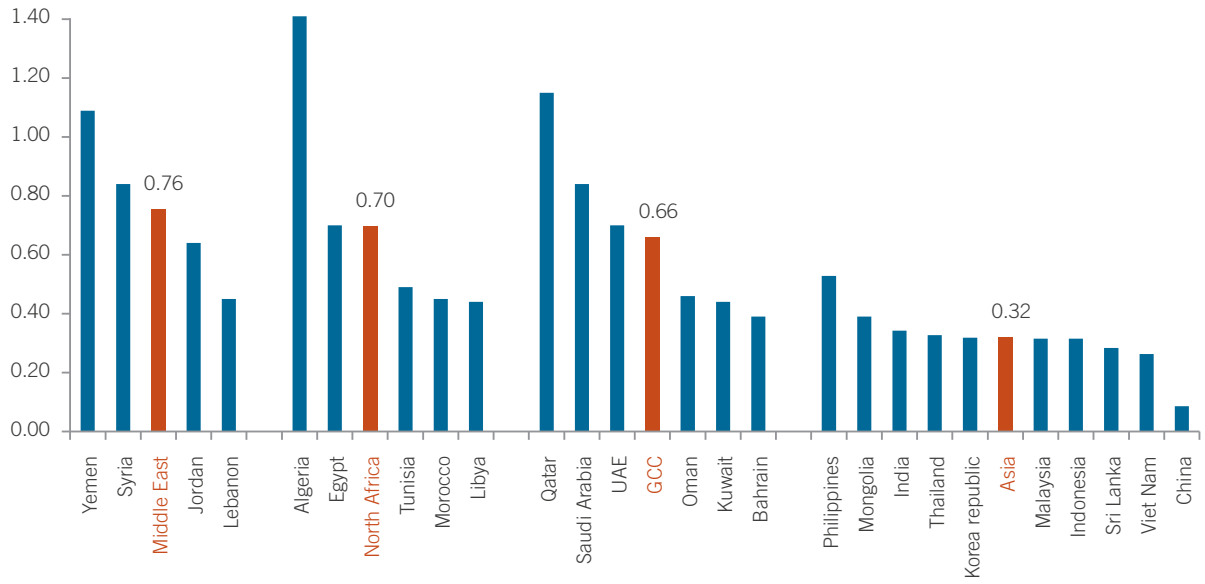
Average annual GDP growth rate by region, 2000 - 2010



Sources: ILO (2010a); IMF World Economic Outlook Database.

Figure 1.3: The employment response to output growth was significant

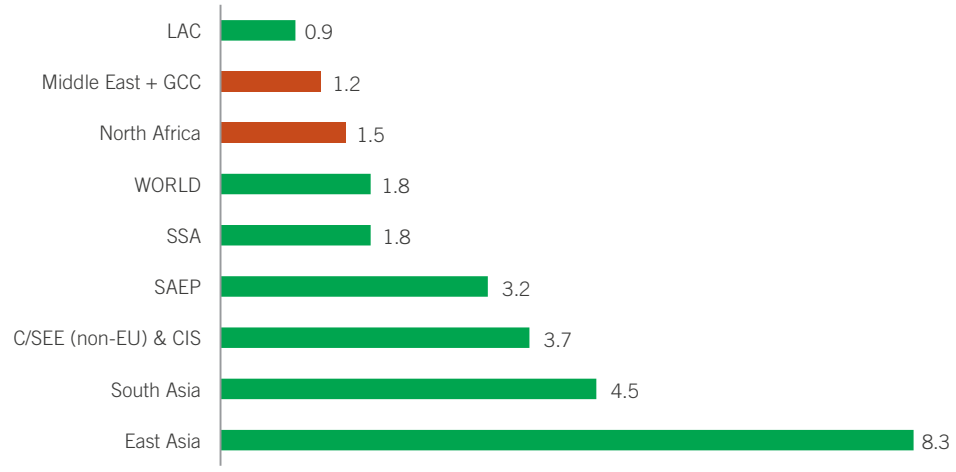
Employment/Output Elasticity, 2000 - 2010



Source: ILO (2010a).

Figure 1.4: Productivity gains have been small in the Arab region

Average annual productivity growth (%), 2000 - 2010



Source: ILO (2010a).

Sectoral changes in employment: resilient agriculture and expanding services

In terms of output composition, the share of agriculture fell from around 7 per cent in the first half of the 1990s to 6.4 per cent in the second half of the 2000s. During the same period, the share of manufacturing increased from 7.8 per cent to 9.8 per cent. Mining and utilities were the big losers: their share declined from around 43 per cent in the early 1990s to 36 per cent in the late 2000s. The output share of services, which hovered around 38 per cent throughout the 1980s, increased to 40 per cent in the early 2000s and reached 43 per cent in 2009.[5]

The changes in the sectoral composition of output had an effect on the sectoral composition of employment. The decline in the employment share of agriculture in the Arab region was on average nearly 20 per cent in the last twenty years and applied to all three subregions, though in different proportions. Leaving aside the case of the GCC, where agriculture has a small base, agriculture remains quite an important employer in North Africa, where it still employs just under 30 per cent of workers, compared to 22 per cent in the Middle East.

The decline in the share of agriculture in North Africa over time has been small (only 13 per cent). What seems to have prevented the share of agricultural employment in North Africa from declining faster is the increase in the share of women workers in agriculture (from 27 per cent in 1999 to 31 per cent by 2010). The case of limited opportunities for women workers in the Arab region is mentioned elsewhere in this report (Chapter 2) but, for now, figure 1.5 shows that agriculture still absorbs a disproportionately large share of employment in the region compared to the incomes of the Arab states.

Agriculture has lost its share of value added, while rural areas remain centres of low-productivity, unrewarding employment and high poverty. Given the land and water constraints, the region's agricultural sector cannot continue to absorb surplus labour. A shift of labour out of agriculture is long overdue.

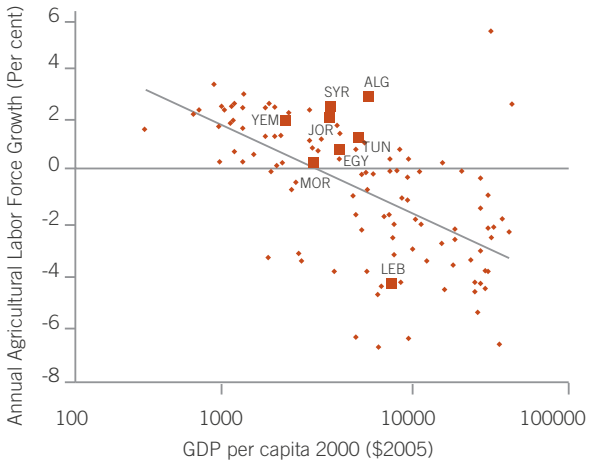
Despite the reduction in the combined output shares of mining, manufacturing and utilities, the share of employment in these sectors increased in the Middle East by 10 per cent and North Africa by 6 per cent, while it stayed almost at the same level in the GCC (a decline of only 4 per cent). Today, the Middle East has the highest employment share in industry (27 per cent), against 22 per cent in both the GCC and North Africa (figure 1.7). The fact that the sectoral employment shares increased faster than the output share of industry indicates that relative productivity in industry declined over time. This is in line with the observation that the structure of manufacturing in the Arab region is tilted towards low value added products, and that industrialization is lower than would be expected in view of the level of the regional GDP.

The big winner in terms of employment and output, has been the services sector. The employment share of services in the Arab region has increased by almost 50 per cent in the last twenty years, with the GCC states experiencing even higher growth (74 per cent) (figure 1.7).

The most significant points arising from the above discussion are the relative prevalence of agriculture and, something that was not mentioned explicitly, namely, the role of the public sector as an employer: it still accounts for a large part at least of formal employment in the region. Nonetheless, in the countries for which information is available, most, if not all, net employment creation in the 2000s came from the private sector.[6] The role of the private sector is examined next.

Figure 1.5: In relation to incomes, employment growth in agriculture is still high in the Arab region

Annual employment growth in agriculture 1995-2005
by country per capita income



Source: World Bank (2010a).

The increasing role of the private sector did not, however, produced desirable results in synchronizing economic growth, employment creation and productivity changes. At any point in time, employment creation can be associated with significant job destruction in the form of job losses or reallocations between different sectors. Productivity growth requires employment shifts from low- to high-productivity sectors. At the end, it is not just the number of jobs that matter but where new jobs are created.

Figure 1.6: Labour reallocation across sectors contributed negatively to productivity growth in the Arab region

Source: Kucera and Roncolato (2012).

Spatial and sectoral changes in employment in the Arab region have not contributed to productivity gains. As mentioned already, employment growth in agriculture remains reducing the gains that can arise from labour relocation from agriculture to industry and services. When structural changes took place in the region, labour "reallocation across sectors" resulted in productivity losses that were only partly mitigated by "within sector" gains in productivity (figure 1.6). Actually, The MENA region was practically the only one where the so called "productivity-enhancing structural change" produced negative effects. In contrast, labour reallocation across sectors was account almost half of the (very high) productivity gains in East Asia and the Pacific region reaching 4.1 percentage points of the total 7.3 per cent annual growth in aggregate labour productivity between 1999 and 2008.

The private sector: still constrained after the reforms

Increasing the role of the private sector was expected to be key to the economic reforms many Arab states have pursued since the 1990s. It is now universally accepted that the private sector has a critical role to play in sustainable and shared economic growth.[7] While the theoretical battle underlying this proposition has been won, what matters in practice is how to unleash the potential of the private sector and what the public-private balance should be.

The discussion below shows that, despite efforts to make the private sector more productive in the Arab region, the position of the region relative to others has not improved

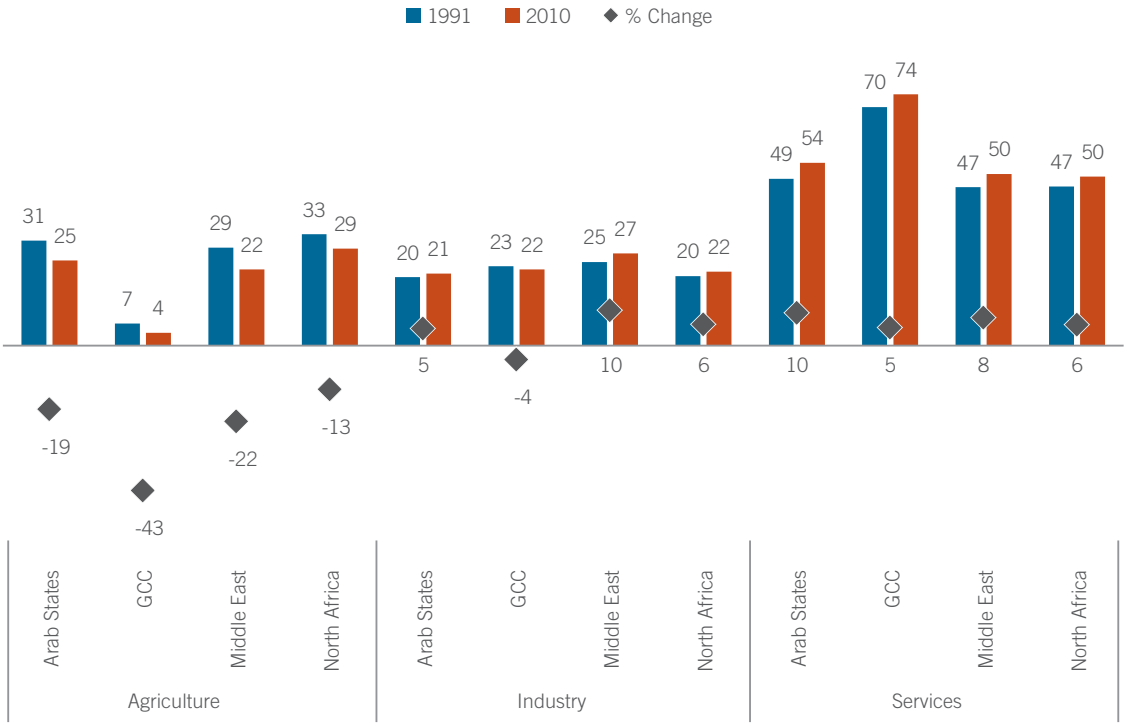
Poverty rates are high in rural areas but agricultural and environmental policies paid little attention to smallholder farmers. Activities in urban areas were not connected to world markets and global value chains that are necessary for growth.

and it still occupies the lowest position in some key indicators. Privatization, or perhaps more appropriately denationalization, was accompanied by opening up capital accounts and fiscal consolidation through expenditure cuts including on social services on the assumption that the private sector would be able to deliver more goods and services at lower prices to citizens. However, reforms in many cases failed to provide equality of opportunity in market and employment transitions or in terms of access to markets, resources and an unbiased regulatory environment for businesses and individuals.

The investment rate as a percentage of GDP has traditionally been low in the Arab region, and was lower than in any other world region in the 1980s, but not by a substantial margin. Over the years, the regional investment rate remained stagnant at around 13 per cent of GDP (figure 1.8, panel A). Despite efforts and concessions to attract foreign direct investment, FDI in the region has been lower than in most other regions. Even those low rates favoured mining and real estate, which attracted almost two thirds of the total between 2003 and 2010. As a result, private sector investments were skewed and, coupled with declining levels and limited effectiveness of public expenditure,[8] did not have a commensurate impact on economic growth or

Figure 1.7: Most employment gains were in the services sector

Employment shares and their changes by sector, 1991 - 2010



Notes: (1) The world average shares for employment in industry and services are 22 and 43 per cent respectively; (2) A decline in sector share does not mean that employment in that sector declined. For example, in the last 20 years in MENA, employment in agriculture increased by 9 million, in industry by just over 14 million and in services by 33 million.
Sources: ILO (2011b and 2012).

employment creation. For example, the 20 per cent of FDI that went into manufacturing created 55 per cent of all FDI-related jobs (figure 1.9).

The failure of the Arab region to invest can be traced back to unfavourable macroeconomic conditions that inhibit investment in fixed capital and stall productivity growth. Drivers for growth were typically real estate, construction, banking and finance. These sectors mainly benefited only a minority of investors as the transformation from state-owned enterprises toward a private sector-led model favoured establishment insiders. Competition was low (figure 1.8, panel B), with a few firms dominating a sector or product line. Few new firms were established (figure 1.8, panel C), while management of firms seems to have been based more on experience than qualifications (figure 1.8, panel D). The young and dynamic emigrated, as will be seen below.

Economic structures created during the many years when the old social contract was in operation have not been substantially affected by economic reforms introduced in the last twenty years. The private sector faces significant constraints, despite the privatization drive. In most Arab states, enterprises identify macroeconomic instability, corruption, anti-competitive practices and high taxes (to support a large public sector) as principal constraints. Labour issues are reported to be the top constraints in the listed two GCC countries, namely Saudi Arabia and Oman (see table 1.1). This is surprising as both countries, like the other four members of the GCC, have migration policies that give them access to a virtually unlimited pool of foreign workers at low wages. Labour concerns in the GCC economies have more to do with the various administrative measures that require companies to hire nationals in an attempt to reduce the unemployment rate among citizens.

The limited potential of the private sector has been compounded by an oversized public sector. The public sector wage bill alone attracts a significant part of GDP, even ignoring other government outlays for public sector employees, including pensions.[9] Though disaggregated statistics by Arab subregion are scanty, at the MENA level the government wage bill as a percentage of GDP is the highest in the world (9.8 per cent compared to a global average of 5.4 per cent). The high wage bill in MENA partly reflects the fact that government employment is comparatively high. Around the turn of this century, the public sector accounted for about one third of total employment in Syria, 22 per cent in Tunisia, and about 35 per cent in Jordan and Egypt. As a percentage of non-agricultural formal employment, public

Figure 1.8: Selected indicators for the private sector

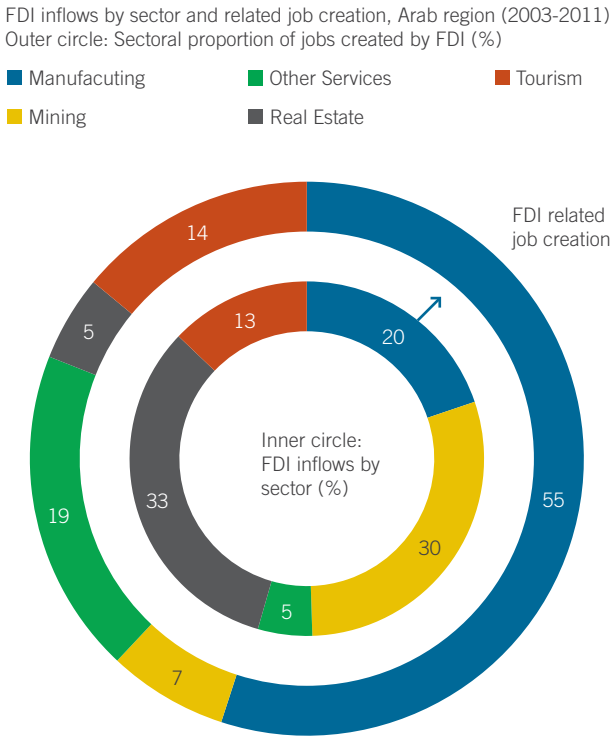
Sources: World Bank (2009) and ICA surveys.

The economic reforms did not lead to the expected structural transformation, investment rates remained low and the formal private sector remained under the control of a few firms with limited entry opportunities for new ones.

sector employment shares are even higher, reaching 42 per cent in Jordan and 70 per cent in Egypt, for example.[10]

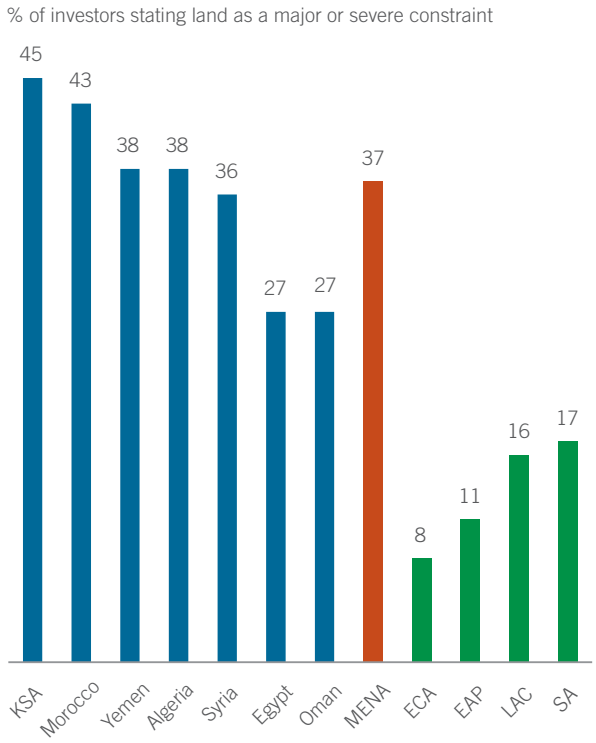
Another reason for the high wage bill in MENA is that public sector wages were on average 30 per cent higher than private sector wages, compared to 20 per cent lower worldwide.[11] Given the dominance of the public sector in the labour market and a rather anaemic private sector, it is not surprising that agriculture still absorbs a disproportionate amount of employment in the region (see earlier figure 1.5) while access to land is not as competitive as it could be (figure 1.10).

Figure 1.9: Investments in manufacturing led to sizeable employment creation



Source: Background paper on "Macro-economic conditions and labour market implications"

Figure 1.10: Access to land is a major or severe constraint on investment



Source: World Bank (2009).

Table 1.1 Private sector priority constraints from enterprise surveys 2000s

ALGERIA	EGYPT	JORDAN	LEBANON	MOROCCO	OMAN	SAUDI ARABIA	SYRIA	OPT	YEMEN
Corruption	Macro instability	Macro instability	Corruption	Tax rates	**Labour regulation**	**Labour regulation**	Tax rates	Political instability	Macro instability
Anti-competitive or informal practices	Corruption	Tax rates	Cost of finance	Access to land	**Skills and education of workers**	Business licensing/ permits	Tax administra-tion	Macro instability	Tax rates
Access to land	Anti-competitive or informal practices	Business licensing/ permits	Tax rates	Electricity	Cost of finance	**Skills and education of workers**	Electricity	Corruption	Corruption
Access to finance	Regulatory policy uncertainty	Corruption	Electricity	Anti-competitive or informal practices	Access to land	Access to land	Corruption	Electricity	Tax administra-tion
Electricity	Tax rates	Tax administra-tion	Legal system	Access to finance	Access to finance	Access to finance	Business licensing/ permits	Transporta-tion	Anti-competitive or informal practices

Note: Constraints ranked from most severe (top row) to least.
Source: World Bank (2009).

The key role of migration in the region

Though migration is typically considered a labour market issue, it is mainly the result of broader economic policies. Migration is key for understanding how labour markets function in the Arab region, both with respect to the emigration of nationals and the immigration of workers from other countries. Emigration acts as a safety valve for the excess labour supply resulting from the mismatch between domestic labour demand and jobseekers expectations, in terms of quantity or type of employment. Governments tend to view emigration favourably as it reduces unemployment and provides remittances in the short term, ignoring the longer-term outcomes. On the other hand, immigration provides local employers with "cheap labour". If left unregulated, immigration depresses local wages by increasing the total supply of labour. This approach to migration has also exerted pressure on the public sector to continue to hire and pay high wages and generates employment outcomes that are inferior to those that would have prevailed if the labour market had been based on the domestic labour supply and competitive labour demand.

The dynamics of open immigration leads to a vicious circle that can be described as follows:

- Immigration policies that allow the payment of lower wages to migrant workers than those paid to national workers encourage the use of labour-intensive techniques in the private sector
- Labour-intensive techniques lead to low labour productivity
- Low labour productivity leads to low wages also being offered to nationals in the private sector
- Low private sector wages increase the incentives for nationals to seek employment in the public sector
- The government tries to accommodate the concerns of nationals and increases employment, and with it the expectation of employment in the public sector
- In such an environment, there are few incentives for nationals to really invest in human capital – beyond credentialism
- This results in low productivity in the public sector, too, because of low skills, oversupply and underemployment
- As a result, the economy is locked into a low productivity equilibrium
- Low productivity means that low wages prevail, the attractions of immigration increases and the vicious circle continues.

In most countries in the world migration is controlled and migrant workers account for a small share of the labour force and are usually absorbed into the national economy and society. This is not the typical case in some Arab countries where migrants take up most of the jobs in the private sector, and are treated as temporary workers, who are paid significantly lower wages and face less favourable employment conditions than those of national workers. This can have the effect of pulling down wages paid to nationals and imposing on them employment conditions that are prevalent in migrants' countries of origin but are barely acceptable to nationals in their own country.

It is no exaggeration that migration policy is the single most important issue in the GCC economies.[12] This is also the case in some other non-oil exporting countries in the region. For example, between 2000 and the onset of the financial crisis, Jordan had a stellar performance in terms of GDP growth, with an annual growth rate averaging 7 per cent. This high rate of economic growth increased employment over the period by almost 50 per cent. Yet this was not enough to reduce unemployment among Jordanians: the unemployment rate has remained stubbornly constant during the last decade, hovering around 13 per cent. This was because labour demand during that period favoured the hiring of low-wage migrants rather than nationals (table 1.2 - and the figures do not include all migrants). Had many Jordanians not been absorbed by the public sector (or continued to emigrate, particularly to the booming GCC economies), Jordanian unemployment would have increased despite fast economic growth and a substantial employment increase.

Table 1.2: Employment growth (number) Jordan, 2000-2009

PUBLIC SECTOR	125,196
PRIVATE SECTOR	190,150
OTHER SECTORS	-3,139
TOTAL JORDANIANS	312,206
TOTAL NON-JORDANIANS	225,128

Note: Non-Jordanians include only those with official work permits (e.g. the figures exclude domestic workers and undocumented migrants)
Source: ILO (2011a).

The Jordanian case brings home the message about the type of reforms pursued by some Arab states in the last couple of decades: they were reforms geared to the short-term objectives of certain investors that took little account of the sustainability and fairness of the type of economic growth pursued.

Another message is that labour policies alone cannot address systemic issues of underemployment and unemployment. It is the policies that are pursued at the macro level, and most often outside the purview of ministries of labour, that

are critical for employment creation. When the economic development model is not inclusive to start with, and open migration policies are added to it, jobseekers get a raw deal. Even employers may not fare much better in the longer run: a model that does not reduce unemployment and, when it does, does so at wages that are out of tune with the aspirations of citizens is not sustainable and can lead to social unrest in the absence of institutionalized conflict resolution mechanisms.

Social unrest: the ingredients were present

Social unrest is a complex phenomenon that may be linked to economic, demographic, political, technological, environmental or specific policy issues. All of these are relevant to the Arab region.

In addition to technological unemployment, i.e. a lower demand for labour as a result of labour-saving innovations, technology-related issues play a role via social networking. In the economic field, domestic reforms failed to deliver high growth on a per capita basis that would provide benefits to the majority of the population. Attempts to participate more fully in the globalization process have had limited success overall and resulted in dislocation driven by uncritically adopted trade liberalization policies and rising popular sentiment against governments, including foreign ones. Politically, the countries in the region are ranked among the lowest in the world in terms of citizens' voice and government accountability. Environmentally there has been little progress in the areas of water and food security. Specific policy issues are diverse and can relate to anything from removal of food and energy subsidies to ill-designed reforms in the education system.

Moreover, once there is social unrest over one issue, it may trigger further unrest over other issues. Transboundary effects are not uncommon in the Arab region, as evidenced by the recent, rather unique, consequences of the Tunisian uprising, and more frequent phenomena when cultural values held in common in different countries are offended.

There are no empirical models capable of explaining the causal chains that lead to social unrest because it is not clear how and in what units to specify the dependent variable, and because the factors behind social unrest are neither independent of each other nor immune to external conditions.

These are issues this report does not claim to be able to answer, but its findings are in significant alignment with those of recent research[13] that has identified the following factors as key determinants of social unrest:

- Income inequality and perception of injustice: Perceptions of economic and social disparities, as well as increasing social exclusion, are likely to have had a negative impact on social cohesion and thus contributed to social unrest in the Arab region
- Fiscal consolidation and budget cuts: Austerity measures gave rise to increased insecurity, real or perceived, that in turn led to social instability and protests
- Higher food prices: In addition to collective frustrations regarding the democratic process, rising food prices were also central to developments associated with the Arab Spring
- Heavy-handedness of the State: In countries where the State has resorted to excessive use of force (police and military) to tackle social upheavals instead of focusing on the actual causes of unrest, these actions have exacerbated the situation
- Presence of an educated but dissatisfied population: The increasing and, in some Arab states, large educated youth cohort added momentum to the protests
- Prevalence of mass media: The use of the Internet helped the organization of demonstrations and has clearly played a role in the recent incidence of unrest

Many of these factors were operating in Tunisia at the time of the uprising (text box 1.1). More broadly, setting the evidence in this report against the likely determinants of unrests in the Arab region, a main conclusion is that *on a per capita basis,* the increase in incomes in practically all Arab states was among the lowest in the world while the quality of governance was deteriorating over time.[14] All countries in the region reached the 21st century with the lowest levels of citizens' voice and government accountability (figure 1.11).[15] Although there are measurement problems for voice/accountability, the figure indicates that the five Arab countries (Egypt, Libya, Syria, Tunisia and Yemen) that have experienced popular uprisings scored lowest in terms of voice and accountability.

In addition to weaknesses in the area of political governance, economic reforms since the 1980s involved a reorientation of macroeconomic policies, with priority given to combating inflation, attracting foreign direct investment, and increasing openness to trade and capital flows. With market liberalization, the economic role of governments was reduced, and the goals of full employment and equitable income distribution lost their former pre-eminence.

Text box 1.1: From regional economic champion to leader of the political transformation

Tunisia is a stark example of the fragility of economic systems that are neither inclusive nor participatory. The success of economic systems does not depend only on clear objectives and feasible targets: they also need to be socially acceptable by being inclusive and participatory.

The Tunisian economy has long been praised for its solid macroeconomic performance and increasing competitiveness. Before the uprising, the country ranked high on a number of economic indicators. The strong economic growth and apparently stable macroeconomic environment masked rampant political clientelism, wealth concentration and an increasing sentiment among citizens of exclusion and unfairness. Unemployment remained stubbornly high, while the aspirations of the increasingly educated youth and rising middle class were compromised and regional disparities persisted. The self-immolation of a street vendor as a protest against the corruption of local officials sparked the events that led to the fall of the regime on 14 January 2011 and the domino effect in the region.

The majority of jobs created during the decade or so of fast economic growth before the uprising were low-skilled. Real wages grew annually by a mere 2 per cent, while average annual productivity growth was 50 per cent higher. By the time the uprising started, the unemployment rate was increasing fast: it had reached 19 per cent (as compared to 15 per cent only two years earlier), while the rate for university graduates was 22 per cent (compared to 14 per cent in 2005). More specifically, the number of temporary contracts offering low salaries without any job security was increasing, at a time when the educational attainment of the labour force was also increasing. Skilled emigration kept increasing over time

The lack of transparency of government investment decisions impacted adversely both the efficiency of resource allocation and equity. The Government controlled a large proportion of investment decisions and almost all decisions related to "strategic sectors". In fact, private investment had declined by 1.2 percentage points of GDP following the initiation of pro-market reforms in the early 1990s, despite rising business profits and government policies to promote investment and support the private sector.

Addressing labour market challenges requires a stronger emphasis on promoting job creation in the private sector, improving the mechanisms for social dialogue, and improving the coverage and efficiency of social protection. Policy responses so far have not been adequate; the policy response to the global crisis was timid and did not attempt to address structural issues in the labour market. The interim Government's recently enacted 17-Point Action Plan has gone a step further by reactivating and implementing a number of measures to improve job creation, particularly for young people, but these are mainly palliative short-term measures. Policies need to be more far-reaching and, more importantly, a national dialogue on the institutional response to inequities in the labour market is needed.

In terms of social protection for workers, the effective rate of coverage by an insurance scheme is much lower than the legal rate, which means that many citizens receive no benefits and there are important inequalities between schemes for different groups of workers. Secondly, social assistance programmes leave out a substantial portion of the poor. This is mainly due to entitlement criteria that are too vaguely defined, preventing many families from registering. Demographic pressures are straining the financial viability of the country's pension scheme, which is already in deficit. In spite of the country's high jobless rates, unemployment insurance benefits do not exist. The State does provide unemployment aid, a form of social assistance, but this only covers a small proportion of the unemployed – for instance, the percentage of unemployed receiving unemployment benefits was only 3 per cent in 2008, corresponding to only 13,000 people.

Tunisia needs a new growth model that promotes stronger job creation for young people, more transparency and accountability, and improved social dialogue. This is the challenge for the country, if it is to build a socially sustainable society.

Source: IILS (2011a).

Large efficiency gains were anticipated as countries allocated resources in line with their "comparative advantage". However, restrictive policies that targeted inflation, often under international advice and assistance, kept exchange rates overvalued – something that suited the interests of importers, who also had close ties to the establishment elites.

The impact of this approach on investment in the productive sector and on the competitiveness of local producers in global markets was ignored, as was the impact on the price of imported food. Monetary policy and financial sector operations were also slanted towards providing cheap credit to the politically well-connected, while the small and medium enterprises that provide most jobs were deprived of access to formal credit.

Figure 1.11: Income growth and voice and accountability have been low in the Arab states

Per capita income growth 2000-2010 (%) versus index of voice and accountability

Sources: The Worldwide Governance Indicators Database; IMF World Economic Outlook Database (WEO).

The popular uprisings cannot be disassociated from economic policies, the food and housing bubbles, the increasingly educated but dissatisfied population and the heavy-handed response to citizens' calls for social justice.

As a recent report has demonstrated,[16] more than twenty years of economics reforms have had limited impact on strengthening the potential for rapid and sustainable growth in many developing countries. Indeed, reforms may even have reduced that potential by hindering crucial investments in physical and social infrastructure.[17] Furthermore, when governments rapidly opened up to foreign capital, the investment they attracted was often capital-intensive and could not be integrated into domestic production networks. Typically, long recessionary episodes with high unemployment weakening the bargaining power of organized workers and lowered the share of wages in national income (see figure 3.2). This encouraged further moves towards "labour market flexibility", which aggravated wage compression and its negative effects on domestic demand growth. Even so, lower wages were often offset in export-dependent sectors by restrictive monetary policy, which maintained high interest rates in order to attract foreign capital but led to weakened competitiveness via real exchange rate appreciation. At the same time, this policy discouraged domestic investment by raising the cost of credit to prohibitive levels for domestic investors in fixed capital (see text box 1.2). The fast-growing and increasingly educated labour force was left with few opportunities for decent employment. Unemployment continued to affect workers at all levels of income and education, while across the world (not unexpectedly) unemployment typically declines among wealthier households and more educated

Text box 1.2: Liberalisation and employment

The problem of employment and poverty, and indeed the uprisings, is inseparable from the economic reforms and policies that prevailed in the Arab region in the recent decades. An enduring "market fundamentalism" among economists and policy-makers has encouraged narratives that reinterpret Arab economic failings as being primarily rooted in poor political and institutional governance. Yet, experience from around the world suggests that market fundamentalism was doomed to fail because the policy package itself was defective. It was based on a flawed theory of perfect markets rather than on an analysis of real markets in developing countries, while it ignored distributional issues owing to a faulty assumption of a trickle-down effect and to the absence of a State that upheld its social contract with all citizens.

Most governments in power until 2011 were focused on obtaining the support of the economically powerful countries/investors/blocks and the approval of international and regional financial institutions. This was achieved through mainstreaming or adopting orthodox economic structural adjustment programmes that presaged "liberating" the forces of the free market and removing government regulation and intervention viewed as outdated and cumbersome. This provided both resources and legitimacy to build support for their rule, which often went hand in hand with oppressive political governance and blatant abuses of human rights. Furthermore, many governments focused on promoting the narrow business and financial interests of allied ruling elites, families and closed groups of influential economic actors. Thus while in some respects the State withdrew from the economy in the post-colonial period, in another sense it allied itself with "markets" in a manner that was detrimental to society at large.

Regardless of whether or not neo-liberal economic policy failures were the dominant factor producing the conditions for the Arab Spring, the forces of globalization and domestic political-economy and governance related factors are crucial to understanding it. In other words, the crux of the socio-economic problem in the region lies in the economic choices and the models followed by regimes in a context of non-transparent governance and a decay in statecraft that neglected a national development project (vision/strategy) that is inclusive and relevant to the poor and low-income classes predominant in these societies.

Future policies will require coherent national economic strategies where trade policy and FDI become tools within a larger macroeconomic policy and development framework. This would result in job-led growth and better distribution of national income through the expansion of industrial capacity, sector specific development, enhanced productivity, employment creation arising from efficiency gains, poverty reduction and related social targets.

In more specific terms, moving away from ideologically market-driven approaches should include (a) macroeconomic and incomes policies for the socially vulnerable: a pro-growth macroeconomic policy would emphasise domestic demand and investment to create new capacity for absorbing surplus labour and could be pursued by governments aiming to re-invent a social contract pertinent to the times; (b) an expansion in the national policy space and balanced monetary, fiscal and exchange rate policies for investment, growth and employment (instead of just focusing on narrow price stabilization, unmanaged financial inflows and full capital-account convertibility); (c) a development strategy focusing on employment creation and poverty reduction – including due attention to the linkages between agriculture and other sectors of the economy; and (d) the promotion Arab regional integration and development by moving beyond shallow integration through free trade in goods under GAFTA, which could be expanded to encompass regional liberalization of trade in services and enhancing intraregional FDI.

Adapted from:
Hamed El-Kady, Mahmoud Elkhafif and Raja Khalidi (2012), Liberalization and Employment in the Arab region: A Recipe for Failure? Background paper for this report, UNCTAD; and comments by Kinda Mohamadieh (ANND) and Esther Busser (ITUC).

jobseekers.[18] Even when Arab citizens found employment locally, the wage premiums for education were the lowest of any world region.[19]

When work was not available locally, jobseekers emigrated: while 3 per cent of the world's population live outside their countries of birth, in the MENA region the percentage is 5.3, corresponding to 18.1 million people.[20] The Middle East and North Africa region has one of the highest rates of skilled emigration in the world, with higher-educated emigrants averaging around nine per cent of the domestic high-skilled workforce.[21]

Post-2010 policies: a strategic approach required

Following the Arab Spring, most Arab states introduced or expanded employment and broader economic programmes.[22] These are described below and summarized in table 1.3. Taken at face value, these policies are critical for a well-managed economy and society should have in place. For example, wages should be adequate, there should be investment in training and infrastructure and governments should be well-staffed.

The jobs that are created in a given country depend on the health of the macro economy. In order to have decent employment, there must first be employment creation. If the fiscal, monetary, financial, industrial, trade, investment and business policies are not well thought through, an economy will be able to generate only a limited number of jobs, and those jobs will not necessarily be decent ones. For example, in many cases mega-projects in the Arab region have very weak linkages with the SME sector and little direct impact on employment, irrespective of whether such projects have a substantial economy-wide benefit in the long run (e.g. in sectors such as water, energy and so on).

Similarly, investment policies may pay more attention to the short-term and thus attract foot-loose and speculative activities; trade may be distorted by protectionism and subsidies that serve the interests of a few, who benefit from them at the expense of the general population; and business development can be hampered by red tape, if not outright corruption.

More specifically, monetary, financial and fiscal policies can boost labour demand. Cross-country evidence and country-specific experiences clearly demonstrate that

Table 1.3: Country responses to the Arab spring by employment measure, post-2010

COUNTRIES	CHANGES IN PUBLIC WAGES	CHANGES IN MINIMUM WAGES	PUBLIC EMPLOYMENT	TRAINING	INFRASTRUCTURE
BAHRAIN	x	x	x	x	x
EGYPT	x	x	x	x	x
IRAQ	x				x
JORDAN	x	x	x	x	x
KUWAIT	x				x
LEBANON	x	x			
LIBYA	x	x	x		
MOROCCO	x	x	x	x	
OMAN	x	x	x	x	
QATAR	x				x
SAUDI ARABIA	x	x	x	x	x
SYRIA	x			x	
TUNISIA	x		x	x	
UAE	x	x			x
YEMEN	x		x	x	

Source: Authors' compilation from official publications and announcements and media reports.

It is not yet clear to what extent the new measures are sustainable on a long-term economic basis and incorporate concerns for shared growth or whether they constitute a short-tem "peace bill" that will follow the lines of the old social contract and the effort to appease citizens that came with it.

It is too early to assess the post-2010 measures on economic grounds. However, some basic principles for creating decent employment are known.[23] One of them is a well-functioning economy at the macro level. Another is the presence of effective social dialogue.

Text box 1.3: Labour standards, economic performance and inequality

International labour standards are sometimes perceived as entailing significant costs and thus hindering economic development. A growing body of research indicates, however, that compliance with international labour standards often accompanies improvements in productivity and economic performance.

Higher wage and working time standards and respect for equality can translate into better and more satisfied workers and lower turnover of staff. Investment in vocational training can result in a better-trained workforce. Safety standards can reduce costly accidents and health care fees. Employment protection can encourage workers to take risks and to innovate. Social protection, such as unemployment schemes and active labour market policies, can facilitate labour market flexibility and make economic reforms more acceptable to the public and therefore sustainable. Freedom of association and collective bargaining can lead to better labour-management relations thereby reducing the number of costly labour conflicts and enhancing social stability.

The beneficial effects of labour standards do not go unnoticed by foreign investors. In their criteria for choosing countries in which to invest, foreign investors rank political and social stability above low labour costs. At the same time, there is little evidence that countries which do not respect labour standards are more competitive in the global economy.

For example, high income countries (such as Austria, Australia, the Nordics and Switzerland) have managed to achieve high employment rates and relatively low income inequalities through strong social protection, higher than average coverage of collective agreements, strong tripartite institutions and observance of political rights. This also applies to medium- and low-income countries, such as the Czech Republic and Uruguay.

In many developing and transition economies a large part of the workforce is active in the informal economy. Such countries often lack the capacity to provide effective social justice. Yet international labour standards can be effective tools in these situations as well. The extension of social protection, occupational safety and health, vocational training and other measures prescribed by international labour standards have proved to be effective strategies in reducing poverty and bringing workers into the formal economy. International labour standards also call for the creation of institutions and mechanisms that can help formalize the economy and create a climate of trust and order which is essential for development.

A legal framework on social standards ensures a level playing field in the global economy. It helps governments and employers to avoid the temptation of lowering labour standards in the belief that this could give them a greater comparative advantage in international trade. In the long run such practices do not benefit anyone. Lowering labour standards can encourage the spread of low-wage, low-skill, and high-turnover industries and prevent a country from developing more stable high-skilled employment.

Sources: Kucera (2002) and ILO (2002 and 2008, chapter 6).

inadequate access to finance and inadequate investment in infrastructure can seriously curtail private sector development and hence employment creation.[24]

Ensuring greater access to finance is a core issue in monetary and financial policies, while ensuring adequate investment in infrastructure is a key aspect of fiscal policy, especially because it impinges on resource mobilization. It is fair to say that the conventional macroeconomic framework, with its emphasis on inflation targeting and fiscal consolidation, has not paid sufficient attention to these key issues. Again, some regional economies are struggling with fiscal austerity and try to target low, single-digit inflation.[25]

The resource allocation between traded and non-traded sectors, and hence labour demand, can be further affected by exchange rate policies and management of the capital account. Policies in these areas can create much needed policy space to promote employment creation, and yet many countries in the region have not used the exchange rate to influence structural transformation.[26]

In order to create a competitive high value added private sector, it is critical to provide a level playing field. The International Labour Conference (2007) reached a set of conclusions based on tripartite consensus that included the following conditions or policy areas related to the enabling environment. These conditions are:

- Peace and political stability
- Good governance
- Social dialogue
- Respect for universal human rights and international labour standards
- Entrepreneurial culture
- Sound and stable macroeconomic policy and good management of the economy
- Trade and sustainable economic integration
- Enabling legal and regulatory environment

- Rule of law and secure property rights
- Fair competition
- Access to financial services
- Physical infrastructure
- Information and communication technologies
- Education, training and lifelong learning
- Social justice and social inclusion
- Adequate social protection, and responsible stewardship of the environment.

In the realm of the labour market, employer and worker representation in the form of freedom of association and social dialogue can have economy-wide implications. In fact, social dialogue is a critical condition for how the macro economy functions. While labour law can usefully regulate the labour market, when it starts to affect the interests of employers or workers, it may lead to bankruptcies among employers or industrial unrest by workers. The end result is conflict in the labour market, if not in society. Thus, there is a need to deflate tensions and develop mechanisms for social dialogue that would lead to conflict resolution in a way that is acceptable to both employers and workers. The effectiveness of social dialogue increases with the representativeness of employers' associations and trade unions.[27]

All in all, as text box 1.3 shows, strong basic rights are not only compatible with job-friendly policies. They can also complement them: basic rights are a critical component of a coherent policy package and are becoming more critical as economies grow and per capita incomes rise and, with them, citizens' aspirations.

Concluding remarks

The political economy prior to the Arab uprisings limited the potential effects of returns on the private sector. Policy-making processes were confined to government circles, with little input from business. The private sector lacked the basic features and conditions that translate growth into better living standards as in other parts of the world. The sector continued to be characterized by low levels of diversification, private investment rates and competitiveness, and unfavourable business environments.

Since the late 1990s, many Arab countries have experienced relatively fast economic growth, though less so in terms of per capita incomes. That said, job creation has been fast as indicated by the high value of the employment-output elasticity. Relatively low economic growth rates and the high employment response imply that productivity growth in the Arab region has lagged behind. This is in line with the fact that the structure of production in the Arab region is tilted towards low value added products, especially in manufacturing. Industrialization is lower than would be expected relative to regional GDP. Despite the economic reforms, the region has failed to compete on a global scale: by the mid-2000s the Philippines alone had more manufactured exports than the whole of the Middle East.[28]

The wave of economic reforms that was adopted on the premise "economic reforms first, political reforms later" did not threaten the survival and interests of the autocratic regimes, at least in the short run. It also suited investors who value political stability. In the end the increase in *per capita* incomes was small, while the region was held back by inefficient governance as political reform lagged behind.

The positive picture that initially emerged from the reforms was not unexpected. Any move towards a greater role of the private sector should have produced at least some positive results given the statist model that had for decades prevailed. Although it is not known with certainty whether the growth path was equitable in any measurable sense,[29] the fact is that economic reforms were based largely on short-term private considerations that favoured establishment insiders. The jobs that were created were "out of sync" with the rising educational qualifications and expectations of the emerging middle classes. The seemingly strong economic performance in the Arab region over the previous two decades gave rise to an increasing sense of inequality and unfairness.

Chapter 2: Population, labour supply, employment and unemployment

Chapter 2
Population, labour supply, employment and unemployment

Introduction

This chapter examines the broad population and labour force trends in the Arab region. It finds that there has been a sharp decline in fertility rates along with a corresponding decline in the share of youth in the population and consequently in the labour market. In terms of labour force, the data suggest three important characteristics that apply in general across all Arab states. First, labour force participation rates remain low in the region. Second, despite low labour force participation rates, the region has the highest youth and total unemployment rates, the largest in the world. Third, both characteristics are very much driven by striking gender differences. In terms of changes over time, the Arab region has make progress in these three characteristics and, as discussed later in Chapter 4, in the area of education. Youth in school (as a percentage of total population) has exactly doubled in the last twenty years (from 2.8 per cent to 5.6 per cent), with women registering most gains. The respective shares of employed and unemployed youth in the total (all-age) labour force have declined in such a way that youth unemployment rate has decreased. The share of the working age population (15-64) has increased from nearly 55 per cent to 63 per cent, primarily because of the increase in the adult population (25-64). With it, the labour force participation rate has increased, again primarily because of more women joining the labour market. While the above trends have been largely common across most Arab states, the unemployment rate has evolved differently in the three subregions. It declined significantly in North Africa though much of this decrease can be attributed to the decline in unemployment in Algeria (a decline largely concomitant with an increase in informality) and Morocco. Unemployment remained effectively stagnant in the Middle East while it increased in the GCC states (though from a small base). Population and labour force growth in decline

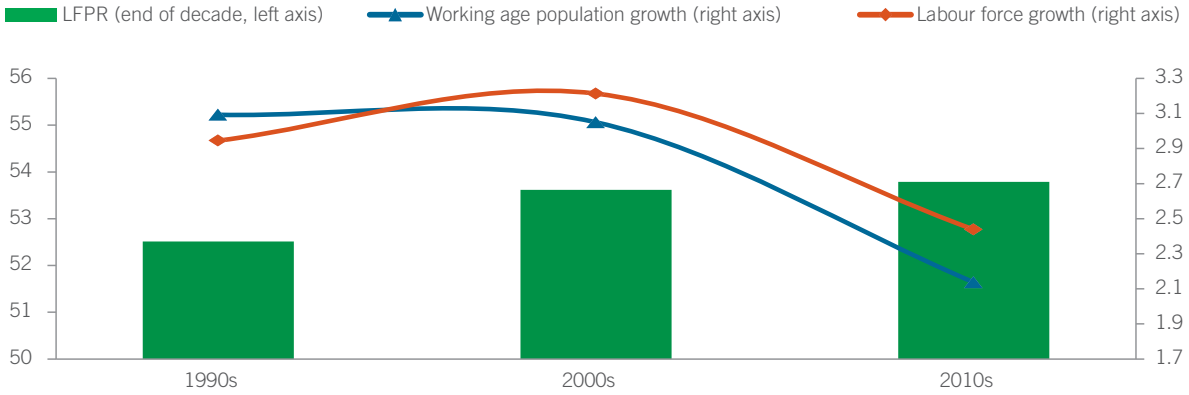
Over the last couple of decades -- the period during which economic reforms were being introduced--the total population of the Arab region has grown from 224 million to 343 million, an increase of 53 per cent. Children (below the age of 15) have increased by less than half the rate of total population increase (20 per cent) and contributed only 16 per cent to total population growth. This reflects the decline in fertility in the region from an average number of seven children per woman in the 1950s to around three children per woman today. The decline in fertility had a commensurate impact on the size of the working age population and the growth of the labour force (figure 2.1). This is important, as what matters for employment outcomes is the size and rate of growth of the labour force vis-à-vis the size and rate of growth of the economy. For example, the labour force participation rate may increase rapidly but, if the size of the working age population declines at a faster rate, fewer workers will come into the labour market. When these considerations are taken into account, it is no longer surprising that the employment outcomes of the last two decades have been rather good by historical standards, as the rate of growth in the labour force was declining in the 1990s and eventually became lower than the rate of growth of the economy.

The "youth bulge" argument has received much attention. The idea is that if there are too many youth, and too many of them are unemployed, the risk of social unrest increases. Many studies attest to the numerical significance of youth and unemployment in creating unrest. However, the youth bulge in the Arab region past its peak in the early 1990s. Figure 2.2 shows that in all three Arab subregions there were 50 youth for every 100 adults in the 1970s. In other words, the three subregions were very similar in this respect. Since then, the youth/adult ratio has steadily declined in North Africa and the GCC – with the GCC reaching a ratio lower than the world average[30]. The Middle East witnessed an initial increase in the youth-to-adult ratio in the early 1990s that has nonetheless declined since then. One obvious observation is that the Arab region seems to have reached the beginning of the end of the relentless demographic dynamics that prevailed in the past. Children below the age of 15 made up 42.5 per cent of the population in the Arab region in 1991 but their share had fallen to 33.4 per cent by 2010. The share of the elderly (65 years old and over) has increased from 2.7 per cent to 3.5 per cent in the last twenty years. These changes combined have led to a decline in the demographic dependency ratio, that is, the ratio of people outside the working age bracket (below the age of 15 or above 65) to those inside the working age bracket (figure 2.3).

Beyond this aggregate picture, the structure of and changes in the population and the labour force are quite

Figure 2.1: Population and labour force pressures have declined in the last 20 years

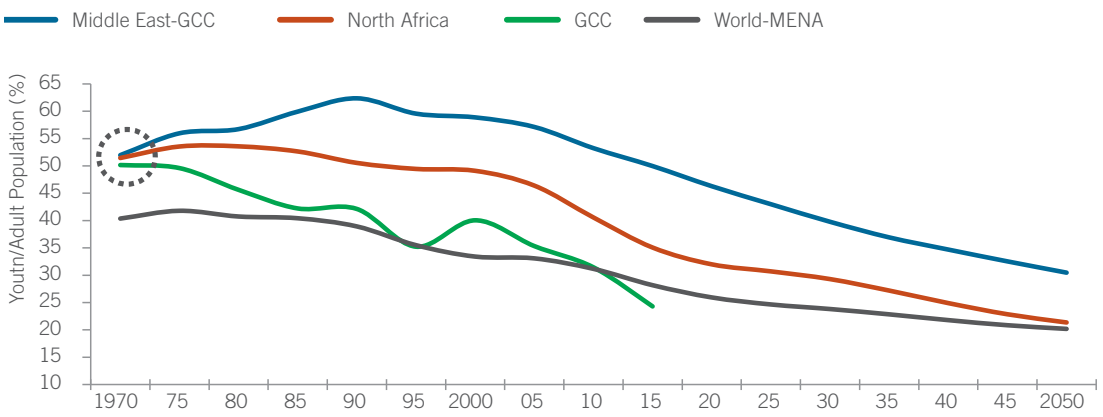
Labour force trends, 1990s - 2010s



Note: LFPR corresponds to country average
Sources: ILO LABORSTA and Key Indicators of the Labour Market (KILM) Databases.

Figure 2.2: Ratio of youth-to-adult population declined continuously

Ratio of youth -to- adult population by Arab subregion, 1970 - 2050

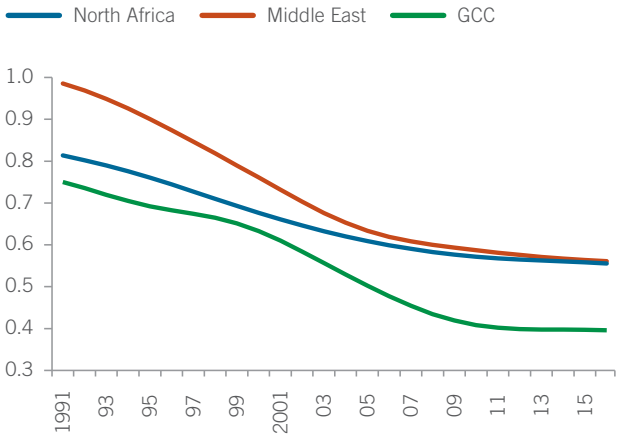


Notes: (a) Projections after 2012; (b) No projections are included for the GCC as the ratio depends more on migration policies than domestic demographics
Source: United Nations Population Division Database.

complex (see text box 2.1). Yet, they are important to be taken into account for the measurement of employment and unemployment as well as for designing education, gender and social protection policies. For example, the Arab region is facing an increasing share of those who are past their working age. Second, as women are becoming more educated, their unemployment is likely to include many "discouraged" women whose number does not show in the official unemployment statistics. Third, while much has been said about the high rate of idleness among the male youth population (not in school, not at work), the fact is that most of those not in school are in the labour force but unemployed. In this context, while it is true that the youth unemployment *rate* in the Arab region has been resilient at a high level over time, this does not automatically imply that the share of unemployed youth in the population increased over time. To the contrary, the growth of unemployed youth since 1991 contributed less than 1 per cent to the total

Figure 2.3: Demographic dependency has declined

Ratio of people below the age of 15 and above 65
to population ages 15 - 64



Source: ILO (2011b and 2012).

Text box 2.1: The complexity of population structure and labour force changes

It is instructive to examine the aggregate labour force changes over time against the main population groups, such as:

- Children (0-14)
- Youth separated into those in school, employed, unemployed and "not in school, not in the labour force"
- Adults also separated into employed, unemployed and inactive
- Elderly (65+)

The total population in the Arab states increased by 53 per cent between 1991 and 2010 or annually by 2.2 per cent. Children (0-14) made up 43 per cent of the total population in 1991 but contributed only 16 per cent to total population growth, having increased in the meantime by less than 1 per cent per annum.

In terms of specific population subgroups and their education and labour market status:

- The numbers of male (female) youth in school increased by 77 per cent (116 per cent) or annually by 2.9 per cent (and 3.9 per cent)
- Male and female youth employment increased annually more or less at the same rate (1.7 compared 1.6 per cent) but their combined share of the population fell from 5.2 to 4.7 partly aided by increased enrolment in schools and universities
- Unemployed youth contributed one per cent to the increase in the total population shared equally between males and females despite the fact that there were (and still are) fewer female youth in the labour force: The numbers for males increased annually by 1.1 per cent (compared to employment growth of 1.7 per cent as reported in the previous paragraph) and for females by 1.8 per cent (compared to 1.6 per cent for employment growth)
- Changes in the case of youth "not in school, not in the labour force" are the residual of the previous three categories (in school, employed and unemployed). The share of male youth "not in school, not in the labour force" in the total population was 0.3 per cent both in 1991 and 2010 while that for females declined from 4.5 per cent to 3.4 per cent. Their combined contribution to population growth was 1.5 per cent with most (1.2 per cent) coming from women
- By far the greatest contribution to population change came from employment that accounted for 35 per cent of the population increase. Male employment grew by 89 per cent and female employment by 126 per cent. This increased the employed as a share of the total population from 19.4 per cent to almost 25 per cent, and the ratio of female/male employment from one-in-five to one-in-four
- Changes in adult unemployment mirror those of youth unemployment. Adult unemployment contributed 2 per cent to the population growth in equal shares between males and females despite the fact that there were (and still are) fewer adult females in the labour force. However, while the number of male unemployed youth increased less than male employment and the number of unemployed female youth increased more than female employment, in the case of adults both male and females experienced in increase in employment more than the increase in unemployment: The population share of unemployed adult men increased annually by 2.4 per cent compared to 3.2 for their employment share and the population share of unemployed adult women increased annually by 4 per cent compared to 4.2 per cent for their employment rate
- The second largest contributor to population change was inactive adults who accounted for 27 per cent of the population increase. Inactivity grew faster among men than women. The respective annual rates of increase were 4.3 per cent for men below the age of 65, 3.8 per cent for men above 65, 2.8 per cent for women below the age of 65 and 3.5 per cent for women above the age of 65.

Source: See table A-8 in the appendix.

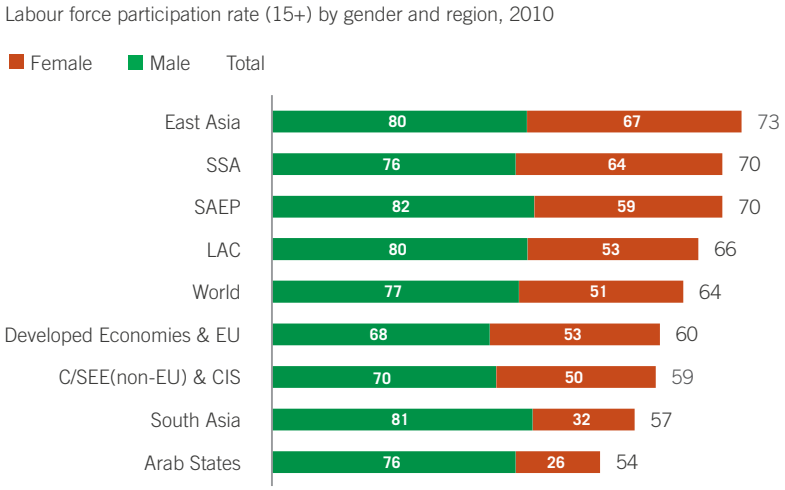
population growth, having been the group that grew least of any other population sub-group.[31] The explanation for this is partly because of the decline in the overall share of youth in the population. And partly because in the last 20 years the number of students has increased by one third (37 per cent) for males and more than three times (355 per cent) for females. As a result, the growth of students contributed 10.8 per cent to the total population increase in the Arab region, with men contributing 5 per cent and women the remaining 5.8 per cent.

The labour force participation rate: not that low except for women

Overall, the Arab region exhibits low labour force participation rates. This is mainly the result of low female labour force participation rates. In fact, the labour force participation rate of Arab men is identical to the world average (figure 2.4).

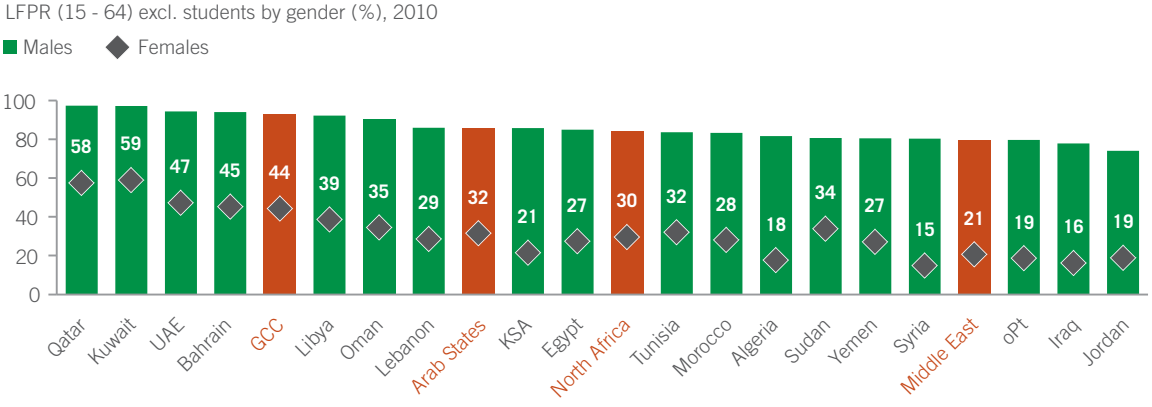
However, only one in four Arab women are in the labour force (26 per cent) compared to a world average of 51 per cent. Women's rates average highest in the GCC at 38 per cent overall, (but only 31 per cent for nationals compared to 55 per cent for non-nationals). The female labour force participation rate for North Africa is 27 per cent, and 19 per cent for the Middle East. All in all, the low labour force participation rate in the Arab region can be attributed to the low female labour force participation rates. Women in the region maintain the lowest labour participation rates even after the exclusion of students from the working age population (figure 2.5). The underlying trends are, however, positive partly due to the fact that women's participation in the labour force increases with education. The gains in female education have been significant in the Arab region. Thus, while many young Arab women are not in the labour force today because they attend school or university, in the future they are likely to enter it in larger numbers than they have in the recent past: the female labour force participation rate has increased in almost all Arab countries in the last 20 years. It increased by around 50 per cent or more in seven Arab states, although it declined marginally in Egypt, Morocco and Syria (figure 2.6).

Figure 2.4: Male labour force participation in the Arab region is similar to that in other regions



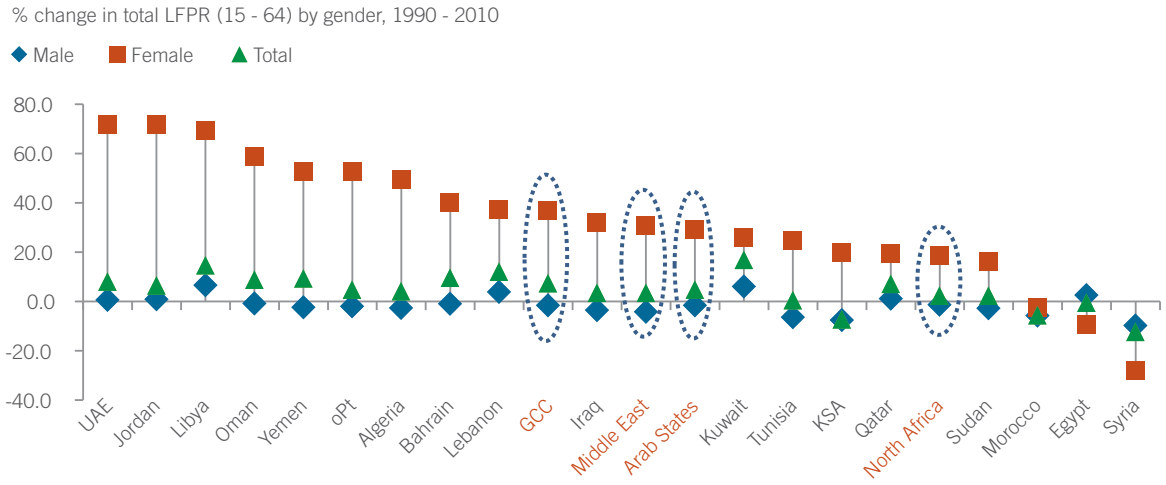
Source: ILO Key Indicators of the Labour Market Database (KILM)

Figure 2.5: Arab region has low labour force participation rates mainly as a result of low female participation rates



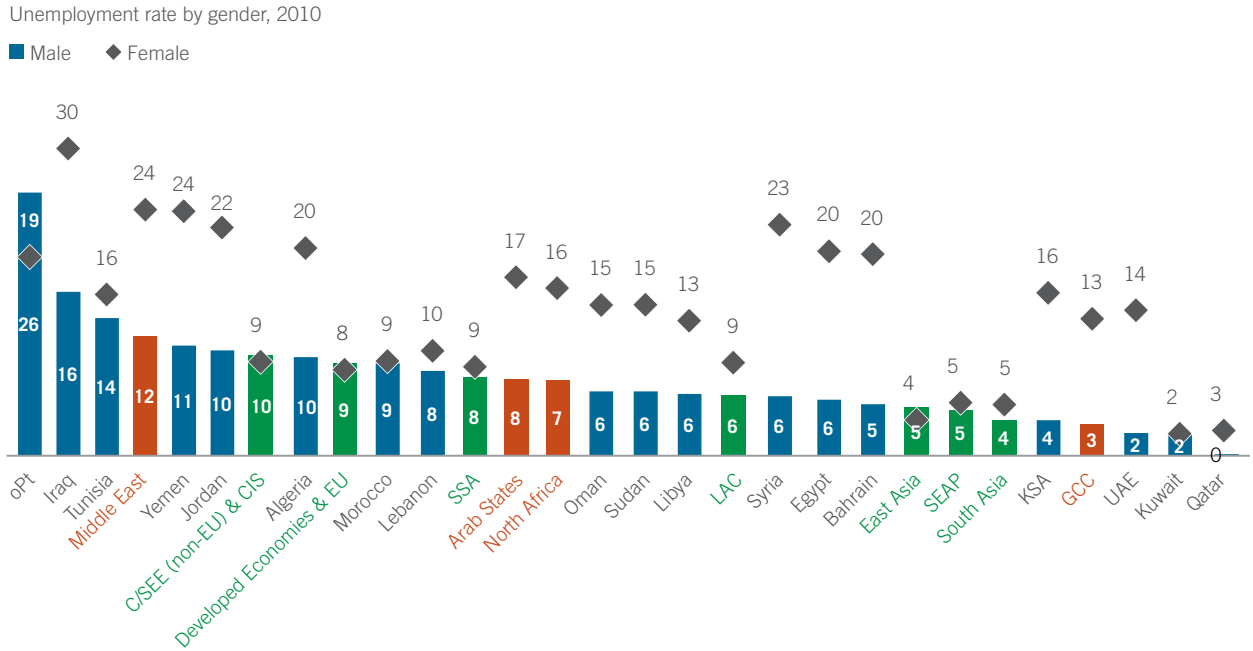
Sources: ILO Key Indicators of the Labour Market (KILM) and UNESCO Institute of Statistics (UIS) Databases.

Figure 2.6: Female labor force participation rate increased in practically all Arab countries in the last 20 years



Note: The circled bars refer to regional averages
Source: ILO Key Indicators of the Labour Market Database (KILM).

Figure 2.7: The unemployment rate in the Arab region is very much influenced by the unemployment rate of women



Notes: (a) The red bars refer to averages in the three Arab subregions, the green ones to averages in the other world regions and those in blue to individual Arab countries; (b) Regional figures corresponds to population weighted averages
Source: ILO Key Indicators of the Labour Market Database (KILM).

Uneven reduction in total unemployment

Like the labour force participation rate, the unemployment rate in the Arab region is very much influenced by the unemployment rate of women. The male unemployment rate is also high but not exceptional, except in the Middle East where the male unemployment rate stands at 11.7 per cent (figure 2.7). The male unemployment rate in North Africa stands at 7.4 per cent and in the GCC at 3.1 per cent. Both rates are lower than in Central/South non-EU Europe and the Commonwealth of Independent States in Central Asia (9.8 per cent), the group of high-income countries (9.1 per cent), and sub-Saharan Africa (7.7 per cent). All Arab states in North Africa are below those rates, with the exception of Tunisia, which has a male unemployment rate of 13.5 per cent. In terms of changes over time, the unemployment rate has declined across the Arab states, albeit unevenly (figure 2.8).

However, unemployment in the Arab region has two distinct characteristics. First, the female unemployment rate is exceptionally high (17.4 per cent: figure 2.7). Second, unlike elsewhere, where unemployment affects more those coming from lower-income households, in the Arab region unemployment affects all income groups more or less equally (figure 2.9).

Youth unemployment: more concrete changes

Youth unemployment in the Arab region is the highest at 23.2 per cent compared to all other regions and a world average of 13.9. However, like it is the case with other statistics, youth unemployment varies significantly between the three Arab subregions (figure 2.10).

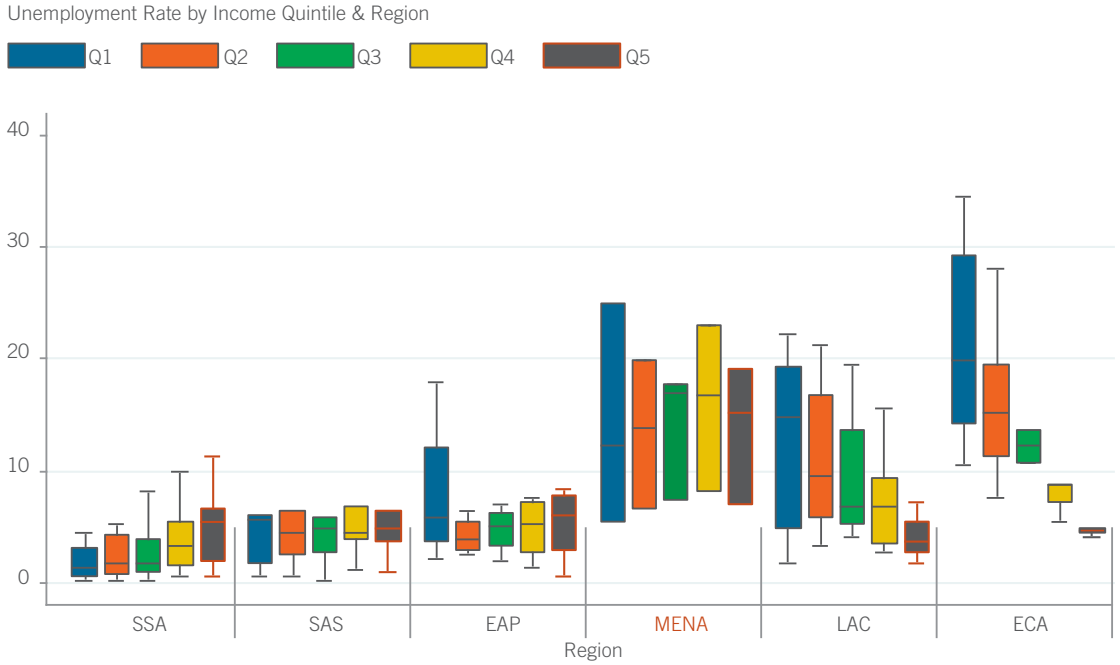
Compared to the share of youth in the labour force in other regions, the youth unemployment rates in the Arab region are above the trend line indicated in panel A of figure 2.11. Looking at the other side of the coin, the relationship between the employment rates of youth and adults in the Arab region is what would be expected, confirming that there is not much difference in the way Arab labour markets treat youth workers and adult workers (panel B in figure 2.11).

Unlike other regions, where unemployment affects more those coming from lower-income households, in the Arab region unemployment affects all income groups more or less equally.

Figure 2.8: In most Arab countries unemployment decreased

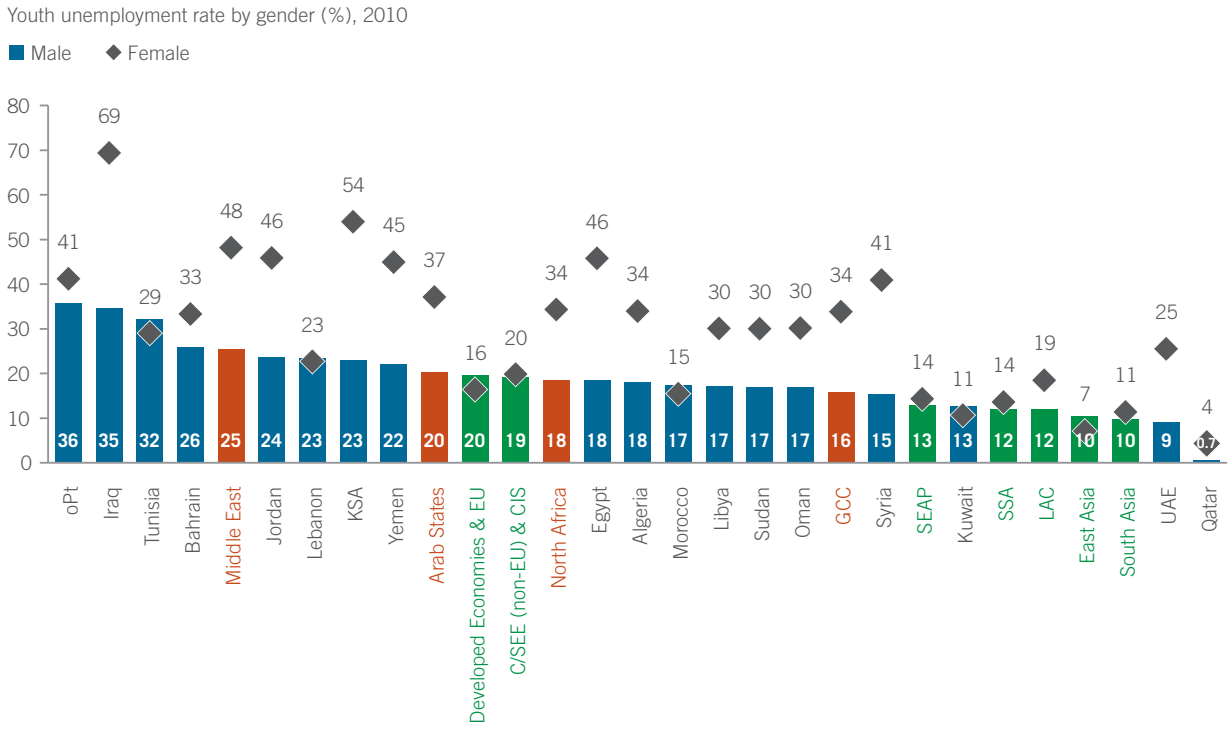
Note: See figure 2.6 note
Source: ILO Key Indicators of the Labour Market Database (KILM).

Figure 2.9: In MENA unemployment rates do not decline as household income increases



Notes: (a) The ends of the thin lines show the minimum and maximum values for each region; the rectangles show the range within which half of the observations fall (that is, the lower and upper quartile), and the line within the rectangles shows the median value within each region; (b) EAP represents East Asia and Pacific countries; SSA sub-Saharan Africa; SAS South Asia; LAC Latin America and the Caribbean; ECA East Europe and Central Asia; and MENA Middle East and North Africa.
Source: Montenegro and Hirn (2009).

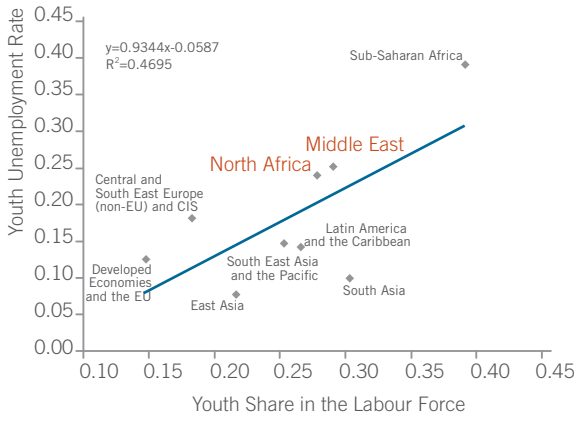
Figure 2.10: Youth unemployment in the Arab region is high in a comparative context



Note: See notes to figure 2.7
Source: ILO Key Indicators of the Labour Market Database (KILM).

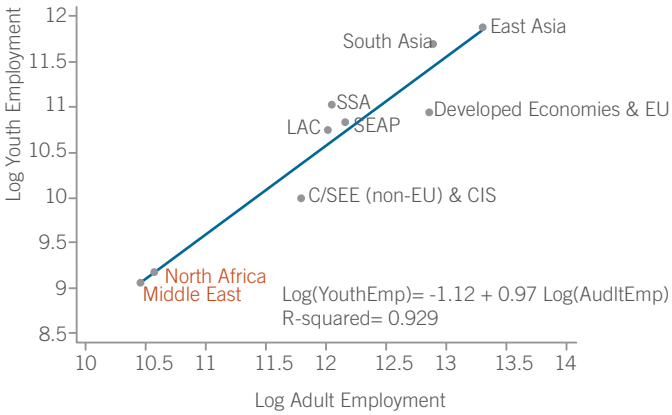
Figure 2.11: Age and gender dimensions of unemployment are complex

A. Relationship between youth share in the labour force and youth unemployment rate by world region, 2010

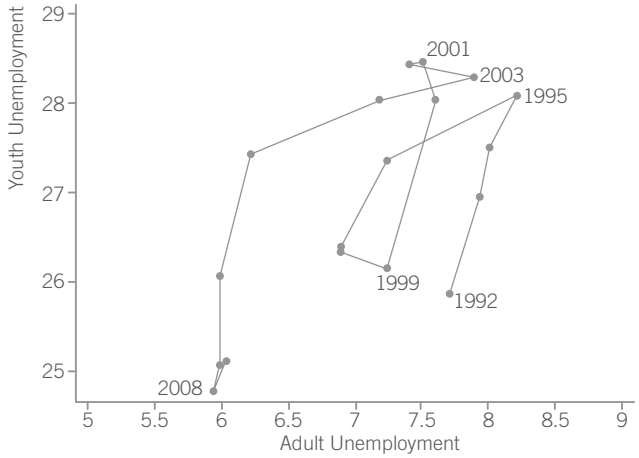


B. There is not much difference in the way Arab labor markets treat youth workers relatively to older ones

Relationship between youth and adult employment

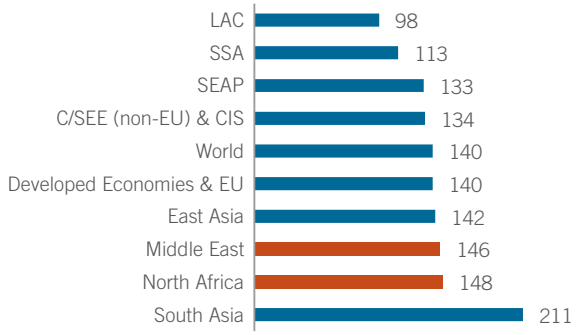


C. Relationship between youth and adult unemployment can vary from year-to-year



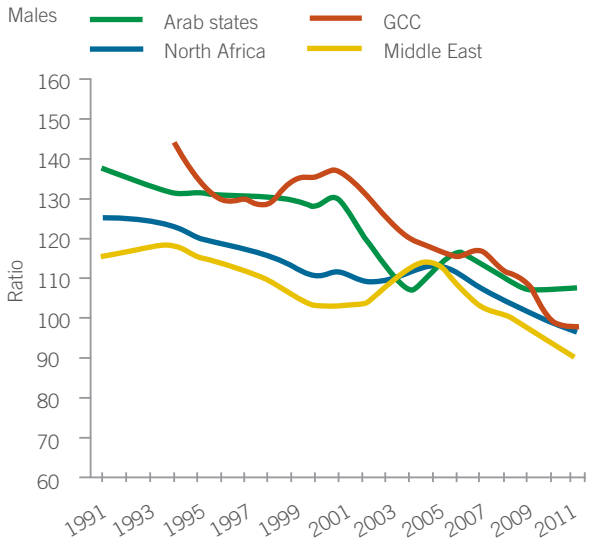
D. Though the female unemployment rate is higher than the male, there are more unemployed male youth than unemployed female youth

Number of Unemployed Young Men (15 - 24) for Every 100 Unemployed Young Women, 2009

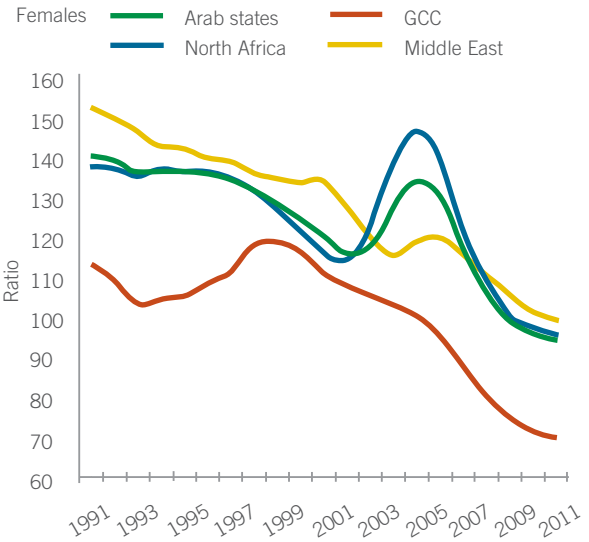


Youth unemployment has declined faster than adult unemployment

E. Ratio of youth to adult males, 1991-2011

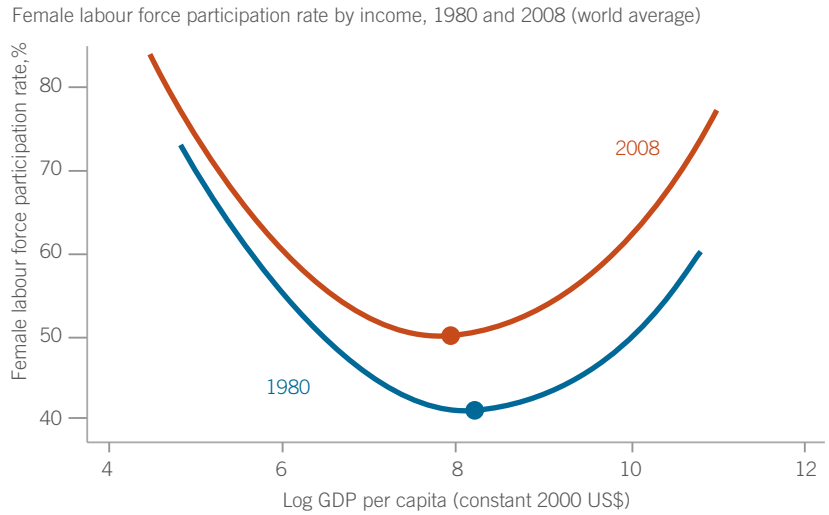


F. Ratio of youth to adult females, 1991-2011



Sources: ILO Key Indicators of the Labour Market Database (KILM), ILO (2011b and 2012).

Figure 2.12: Female labour force participation tends to be low among middle income countries



Source: World Bank (2012),

It should be noted that the relationship between youth and adult unemployment is not constant over time. It has been moving counter clockwise since the early 1990s. Youth unemployment declined in the period 2005-2009 while adult unemployment remained stable (panel C in figure 2.11). This may be for one or both of the following two reasons. First, it may be that the labour demand for youth workers has been increasing faster than that for adult workers. Second, the labour supply of youth has been declining due to increasing education enrolments. Both factors have been in operation with the result that the numbers of unemployed youth, both male and female, declined much faster over time than the numbers of their respective adult counterparts (see panels E and F in figure 2.11).

Youth unemployment has declined more than adult unemployment since 1990 despite the challenges faced by all workers in the Arab labour markets.

Where the Arab region stands out is in the gender composition of unemployment. In fact, much of the high youth unemployment rates can be attributed to the high unemployment rates of Arab women (figure 2.10). The youth unemployment rate for Arab males is high compared to other world regions but this is primarily due to the high rates in the Middle East. However, the female youth unemployment rate in all three Arab subregions averages 37 per cent. This is higher than that in all other world regions and stands at 48 per cent in the Middle East compared to 34 per cent in North Africa and the GCC.

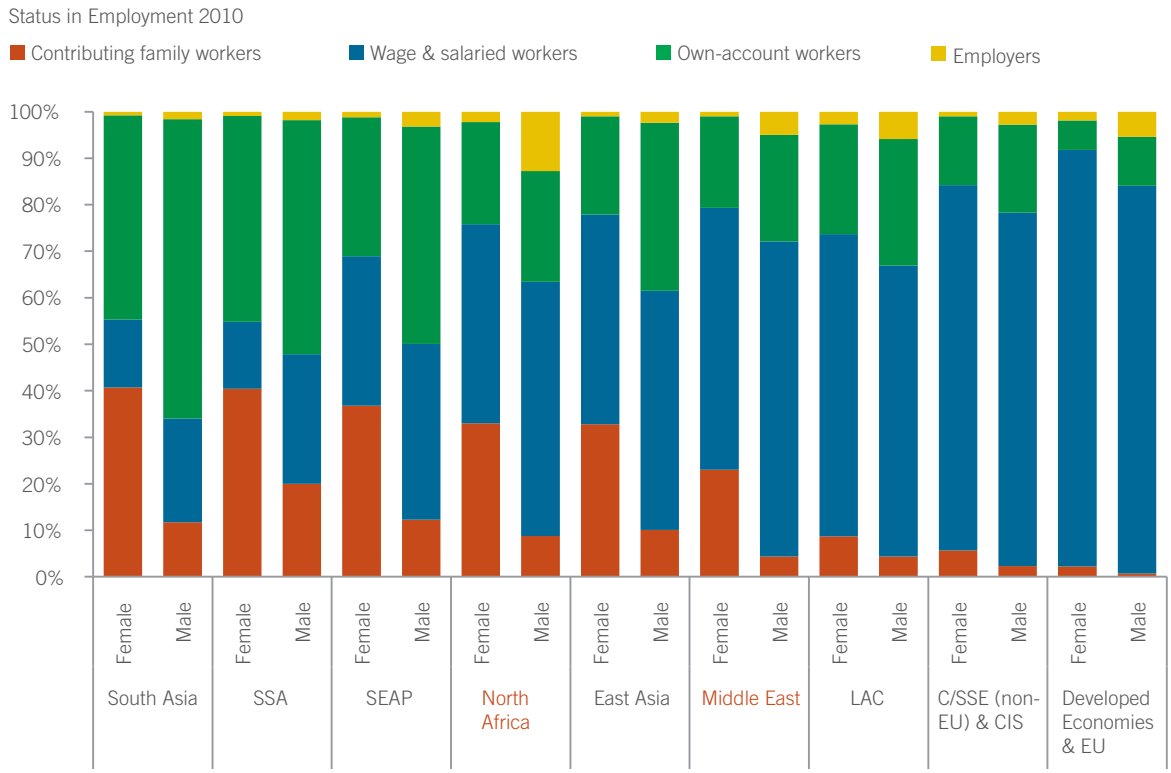
The female youth unemployment rate in the Arab region averages 37 per cent, almost double that for male youth, but there are 50 per cent more unemployed male youth than female unemployed youth.

Still, the number of unemployed male youth in the region by far exceeds the number of unemployed female youth. In fact, with the exception of South Asia, the ratio of male to female unemployment youth in the region is highest: There are nearly 150 unemployed male youth for every 100 unemployed female youth (panel D in figure 2.11). This adds support to the argument for measures for targeting male youth due to the size of their unemployment along with measures for increasing the female labour force participation rate as discussed in the next section.

Women workers have a long way to go

The discussion so far confirms that a significant part of the labour market indicators in the Arab region is influenced by differences between female and male workers. This duality can be traced at least in part to certain legal regulations and societal norms. These regulations and norms operate on both sides of the labour market. On the one hand, they constrain women from seeking employment and, on the

Figure 2.13: Women are overrepresented among wage and unpaid family workers



Source: ILO Key Indicators of the Labour Market Database (KILM).

other, they do not allow employers to consider women on the basis of their productive potential.

International experience is useful in understanding the dynamics of labour force largely of Arab women. Unlike men, who tend to work largely independently of their income and wealth, women may decide to spend their time on various other family, community and generally unpaid activities. Women enter the labour force when wages are high enough to compensate them for the lost value of their work at home. This has been the main explanation for the rising female labour force participation in other parts of the world. For example, women were pulled into the labour force in high-income countries mainly after the Second World War as fast economic growth and labour scarcity drove wages up and made market work attractive to women. A critical factor for attracting more women into the labour force is the size and type of labour demand.

High wages and high incomes can to a certain extent neutralize each other in deciding to join the labour force or not. Rising wages create a positive incentive for women to enter the labour force. However, as economic development is also associated with rising incomes, this can reduce the wage effect. This is shown in figure 2.12. Both curves show that at early stages of economic development when per

The low female labour force participation rates in the Arab region is only partly explained by the middle income status of most regional countries. Institutional factors are also important.

capita incomes are low, the female labour force participation rate is high. This is also facilitated by the type of available work when it is more compatible with family responsibilities, although fertility may also be high. This type of work typically takes place on farms and around the family home, usually within the community.

As economic development accelerates, the economy is transformed from agrarian to more complex structures, and with them comes urbanization along with increases in per capita incomes. These changes decrease the work opportunities for women in the primary sectors and within the family. Children need more time inputs in cities where work is also less compatible with parental responsibilities or not located nearby the family home. Economies remain in a surplus labour supply state for some time, thus preventing wages from rising and providing few incentives for non-employed women to enter the labour market.

Text box 2.2: Gender inequality in pay

Arab's women's pay is lower than that of Arab men's. This phenomenon is not unique to the Arab region even after adjusting for work effort (such as hours of work), educational qualifications, work experience and so on. In fact, wage equality does not necessarily imply absence of discrimination, and wage differences do not necessarily imply discrimination. This is shown in the figure below which breaks down the gross pay difference between women and men in Kuwait. Assuming that men and women are identical in all respects, there should be zero pay difference between them (initial point to the far left of the figure).

Kuwaiti women are paid on average 65 per cent of what Kuwaiti men are paid. Guided by human capital theory and using separate earnings functions for identifying the determinants of women's and men's pay, the corresponding gross gender pay differential of 35 percentage points can be broken into some explicit components. In the case of Kuwait, women should be paid more than men on the basis that they have more education, each year of education is rewarded more in the labour market and women's return to experience is higher than that of men's. More specifically, these three factors should increase female relative-to-male pay by 12 per cent, then by 15 per cent, then by 7 per cent, and in all by 34 per cent.

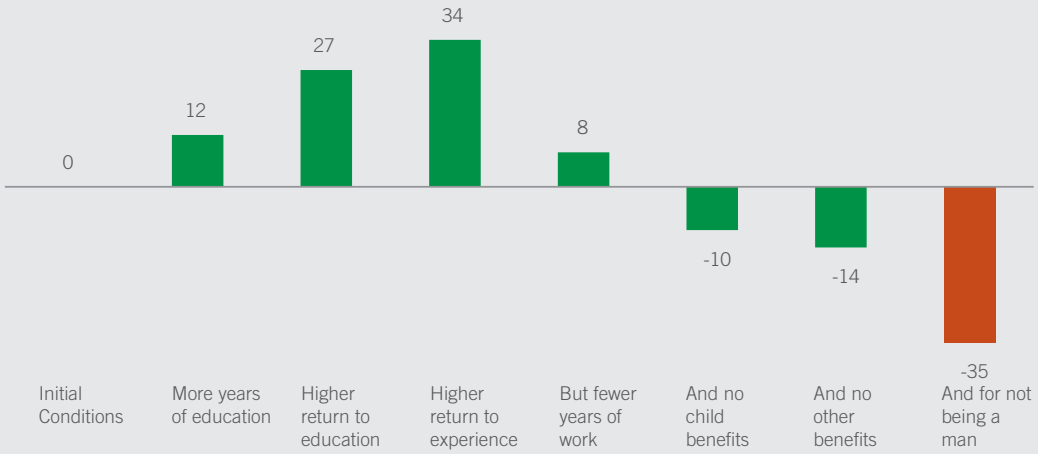
However, women typically work fewer years than men. As such, they acquire less work experience. This is because women interrupt employment for child-bearing and rearing purposes. In the case of Kuwait this takes away much of the female gain resulting from the previous three factors: had they been the only factors in operation, female pay would on average be 8 per cent more than men's.

Moreover, male Kuwaiti workers receive various family benefits. Additionally, they often belong to elite groups ("cadres") that are still predominantly male and enjoy special privileges (for example, judges, security personnel, diplomats and elected members of parliament). These supplements are paid to male workers and turn the initial wage advantage of women to a negative of 14 per cent. As the disaggregation analysis is unable to explicitly detect other differences, the 21 percentage point part of the gender pay gap that is left unexplained by the above factors can be assigned the interpretation of the upper bound of discrimination against women (or the premium to men for just being men).

Source: World Bank (2008b).

Equality does not mean lack of discrimination, and inequality does not mean discrimination

Cumulative contribution of various variables to the female/male relative wage (actual 65 per cent)



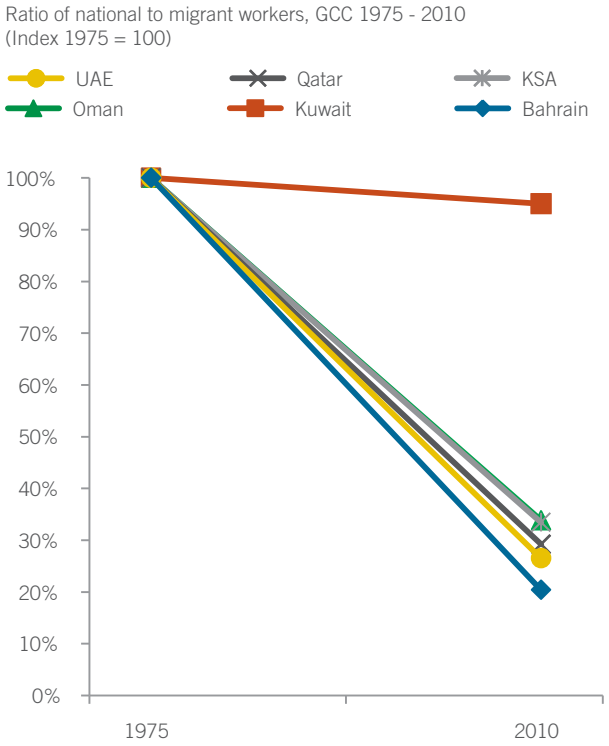
During the earlier phases of economic development, women are over-represented in unpaid family work or in wage employment. This is also true for the Arab region (figure 2.13). In fact, the Arab region also seems to follow world trends with respect to men's employment, with one exception: Arab men are somewhat overrepresented among employers. This is in line with the predominance of micro and small firms in the Arab region mentioned in the previous chapter. This again suggests that the private sector remains trade-based and lacks dynamism. This stylized exposition is perhaps relevant to the Arab region, which is composed predominantly of middle-income states. First, as the two curves in figure 2.12 show, at any given level of income, more women are found in the labour force in more recent years than before. This has to do with rising female education as well as changes, albeit embryonic ones, in the structure of the economy. One such change may be the opening up of teaching opportunities as a result of increasing education enrolments – and the Arab region has recently performed well on this front. Some of the increase in the female labour force participation rate is due to this effect. Second, most Arab states have now reached middle-income status, where, as the figure shows, female labour force participation tends to reach its lowest point.

Employment segregation is high and declining rather slowly in the Arab region. For example, between the 1950s and the 1980s, gender employment segregation in the world declined from 0.39 to 0.31, a decline of more than 20 per cent, indicating that women were making inroads into previously male-dominated jobs. The corresponding decline in the Arab region was from 0.43 to only 0.38, a decline of only 11 per cent.[32]

The case of the GCC: fast employment growth but not for nationals

Labour supply in the GCC is driven largely by two factors. First, there are nationals who aspire to work under conditions commensurate with those commonly found in high-income countries. Typically, high-income countries have good employment conditions associated with capital-intensive/high-productivity techniques driven by the need to keep labour costs low and thus meet the pressures from a globalizing world and the competition from newly industrialized countries. Dealing largely with national populations and few migrant workers (who are also accorded similar rights to those that apply to national workers) public/private differences in pay and employment conditions are relatively small. In some countries there is practically no difference between public sector and private sector pay

Figure 2.14: Ratio of national workers to migrants workers in the GCC declined considerably since the 1970s with the exception of Kuwait



Sources: Girgis (2010) and National statistical offices for 2010.

(e.g. France and Germany).[33] In some cases, the premium for educated workers (for example, those with a university degree) is very small, while in others skilled technicians (for example, plumbers, carpenters and mechanics) can earn more than their more educated counterparts. In other words, the determination of pay is very much influenced by the relative supply of one group compared to another and the resulting skills shortages. For example, with the technological advances since the 1980s or the more recent deregulation of the financial sector, the pay of graduates with the relevant skills increased e.g. in technology and accounting. This made such jobs attractive to prospective jobseekers who therefore enrolled in such courses in greater numbers. The end result was that after a while the pay advantage of graduates from IT and accounting courses began eroding.

Second, there is the labour supply of migrant workers, especially from low-income countries, who are found in large numbers in the GCC. The supply of such workers is almost infinite as far as local employers are concerned. As figure 2.14 shows, the ratio of national workers to migrant workers has declined considerably since the 1970s, with the exception of Kuwait. In 1975 there were 1.7 million

national workers in the GCC, compared to 1.1 million migrant workers. By 2010, the employment of national workers had increased to 5.9 million, while the number of migrants employed had reached almost 14 million. The implications of the increase in the labour supply of migrants are significant. Migrants can be hired at low wages, compared to the reservation wage of nationals. They also possess many practical skills and are willing to work under conditions that prevail in their own country but which are not acceptable to nationals. As a result, employers have little incentive to invest in high-productivity techniques and therefore opt for low-wage labour-intensive ones. National jobseekers have no incentive to improve their skills in order to work in the kind of jobs that migrants do. Informality, unemployment and rights: more to be done

Employment in the Arab region has increased on average by 41 per cent in the last decade, faster than the increases in the labour force (37 per cent), the working age population (34 per cent) and unemployment (only 8 per cent), despite a small increase in the labour force participation rate (2 per cent).

This positive picture needs to be qualified. First, North Africa has done better than the other two subregions but the decline in unemployment in North Africa was driven mainly by the decline in unemployment in Algeria. For example, there were 1.3 million unemployed in Algeria in both 1991 and 2010. This reduced the unemployment rate in Algeria from 20.6 per cent in 1991 to 11.4 per cent in 2010, driving the average unemployment rate in North Africa down from 12.6 to 10.1 per cent. While it is true that the unemployment rate also fell in Morocco (from 13.6 per cent in 2000 to 9.1 per cent in 2010), Tunisia (from 15.7 per cent to 14.1 per cent) and Libya (from 9.2 per cent to 8.1 per cent), it remained almost constant in Egypt at around 9 per cent.

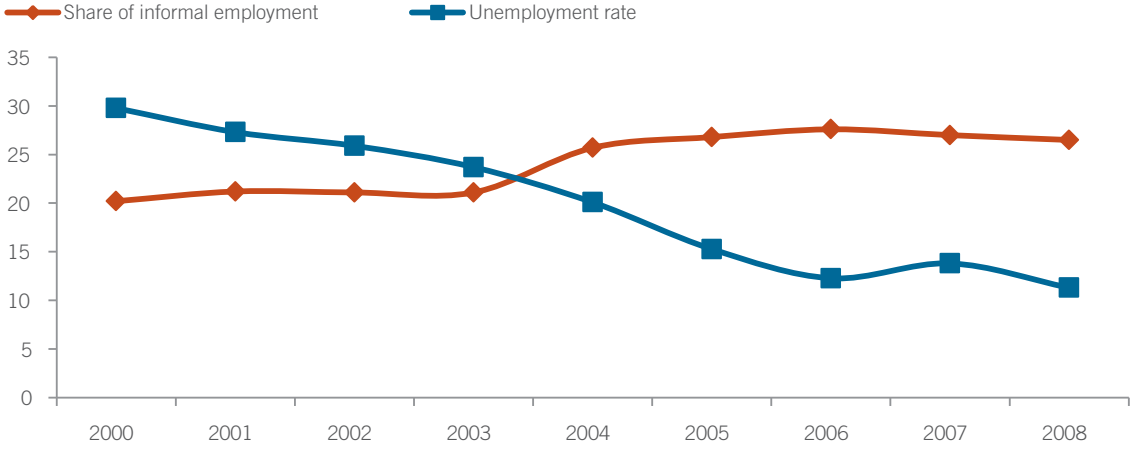
Second, the impressive decline in unemployment in Algeria was accompanied by an increase in informal employment, at a rate of almost one-to-one (figure 2.15). This is yet another indication that at least some of the employment response came from defensive reactions by Arab citizens who are desperate to earn a living, rather than from a development model that is creating gains for the whole economy.

Third, turning to the other subregions, the 37 per cent increase in the number of unemployed in the Middle East was higher than that for the employed (32 per cent), despite a decrease in the labour force participation rate, albeit a small one (2 per cent). These changes resulted in an increase in the unemployment rate of 3 per cent. Finally, the GCC states seem to have fared least well: although employment increased by a massive 88 per cent (due to open migration policies), unemployment among nationals more than doubled (an increase of 118 per cent). Another feature is that the GCC had the fastest decline in the youth-to-adult unemployment ratio partly because adult nationals have found employment integration more difficult. This has, in turn, created pressure for more nationals to be hired in the public sector, irrespective of merit and effort on the part of jobseekers and of the true needs of the public sector. This can be sustained as long as the fiscal situation allows and so is clearly unsustainable in the long run.

Gender and migration issues are closely related to human rights (text box 2.3). As argued elsewhere in this report, human rights in general as well as in the area of employment (e.g. social dialogue and labour standards) are critical for inclusive economic growth (see text box 2.3)

Figure 2.15: The decline in unemployment was accompanied by an increase in informal employment

Changes in the rates of informal employment and unemployment in Algeria, 2000 - 2008



Sources: Achy (2010).

Text box 2.3: Economics and rights

The World Conference on Human Rights that took place in Vienna in 1993, shortly after the transition of many countries at the end of the Cold War, concluded with the Vienna Declaration and Programme of Action that the 171 attending states adopted by consensus. The UN General Assembly subsequently endorsed the declaration and also created the Office of the High Commissioner for Human Rights (OHCHR). The declaration affirms the interdependence of economic development, democracy and human rights and sets new agendas for human rights in several areas, including women, children and indigenous peoples.

Political, economic, social and cultural rights are essential for any plan that aims at creating inclusive development. However, many Arab countries have made only limited progress toward them. In countries that have signed international conventions or made local provisions for human rights, implementation is at a low level. Beyond this "macro" depiction, an OHCHR paper identified serious gaps in the area of human rights in the ten Arab countries it examined:

- Women and their equal access to development, employment and education/training opportunities: The region is missing out on the participation of half its population in moving forward on development.
- Non-citizens and migrant workers, including migrant domestic workers: New development models need to be inclusive of these large populations, even if they are present in the host country on a temporary basis.

There are basic or structural problems that relate to women's access to social and economic rights in the Arab region. The first is the question of women's individual citizenship rights and the degree to which they are recognized or honoured. Despite having constitutions or proclamations that say otherwise, in many Arab countries women are not really recognized as individual citizens since family mediates their citizenship.

Such an approach creates grounds for their exclusion ranging from simple statistical ones (for example, how women's work is counted) to real ones (for example, access to employment and social security). The serious problem is not when women act as dependents but when the state assumes that they are and therefore fails its duty to provide them with basic rights, opportunities and entitlements.

In some countries, a proportion of resident population, is marginalized by lack of access to social services or inability to obtain proper documentation (such as birth certificates and identity cards). With respect to migrants, their limited access to social services, the rights that are granted to them and the parallel wage and salary structures between them and national workers are objectionable on the grounds of internationally recognized human rights. Moreover, they result in a low wage labour that undermines the rights and legitimate rewards citizens expect to get according to the levels of economic and social development that prevail in their own country.

Many Arab countries prevent the formation of free trade unions. This can be linked to the selective support Government provides to the private sector and may explain the unwillingness to give workers legitimate bargaining rights. Incorporating human rights in the design and application of development and employment policy remains a challenge for the Arab region. Development needs to be seen through a rights-based lens, even though non-compliance could range from economic and political to ideological and religious. The implementation of alternative applicable models may have to confront social as well as political resistance by existing majorities or by simple administrative procedures. Success can be further compromised by divisions among reformers in the face of more organized interests of various power groups. The risk of resorting to means that would reproduce the sins of the older order remains, as history tells us of past peaceful or revolutionary transitions. Relying on the legal duty of States to implement human rights treaty obligations may help mitigate these threats.

Adapted from:
Fateh Azzam (2012), Rights and Freedoms: Imperatives for a New Inclusive Development Model, Background paper for this report, OHCHR, Beirut; and comments by Baqer El Najjar and Hania Sholkamy.

Concluding remarks

This chapter has clarified a number of issues on the labour supply side in the Arab region. Some were positive, though with wide variation among the three Arab subregions and the countries within them. The decline in the regional unemployment rate, albeit hesitant, is an example of this. The increase in the female participation rate has been more uniform. The relative improvement in youth unemployment compared to adult unemployment gives a mixed message. On the one hand, this gives hope for youth, as there does not seem to be anything particular to them that leaves them out of the labour market. On the other hand, this gives rise to the challenge of creating sufficient labour demand for all workers, not just for the youth.

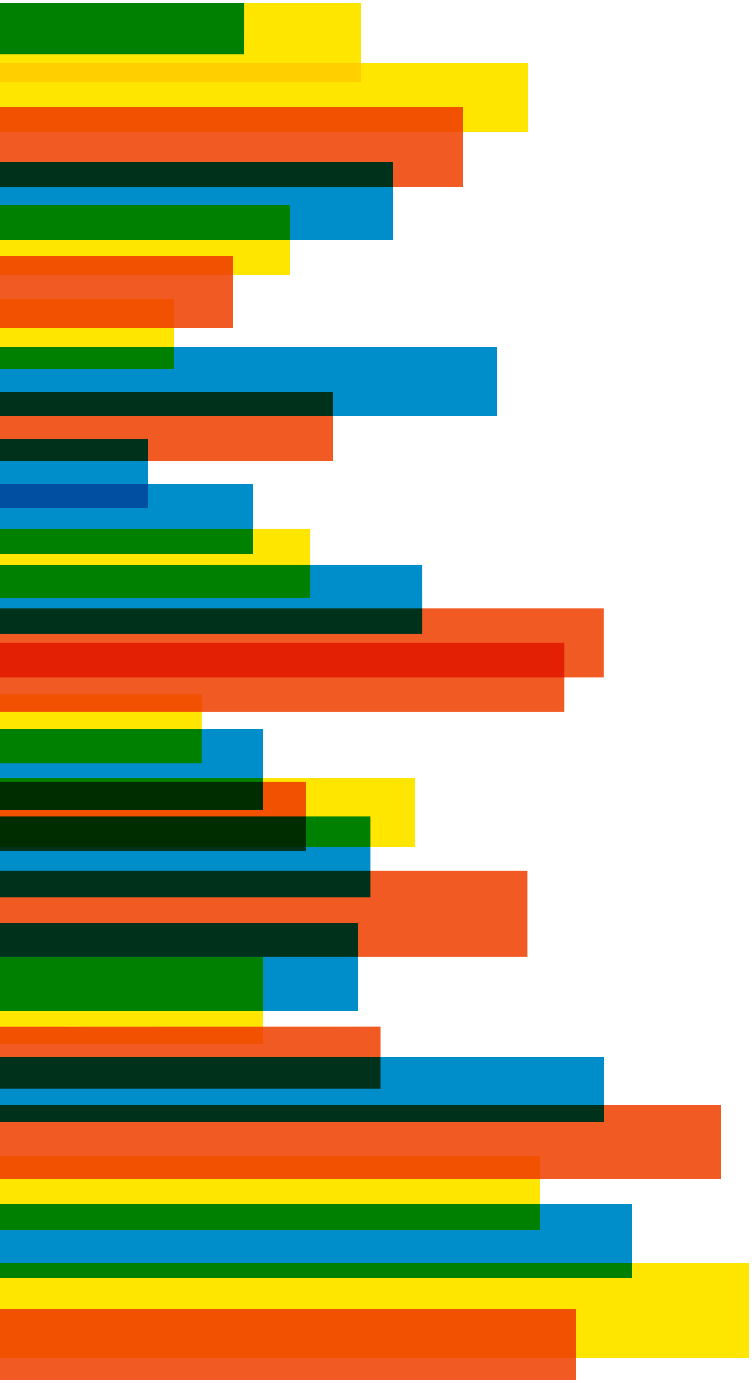
Other issues were negative and, taken together, there is much more that can and should be done to create *national labour markets.* Starting with the latter, labour markets were only in part markets during the period of the social contract, when much labour allocation and pricing was determined by governments. This feature is still prominent in the GCC states.

With respect to "national" labour markets, migration policies, are not harnessed strategically to support the conditions that would attract citizens to the private sector. As discussed in Chapter 1, this relatively open approach to migration is not unique to the GCC economies. It is also found in other countries either by design (e.g. Jordan) or as a result of circumstances (e.g. Lebanon). The dynamics of more or less open immigration have deleterious effects, especially for low-skilled and less mobile workers, including women.

As this chapter has shown, unemployment in the Arab region is affecting jobseekers from households across the whole income range. This is perhaps not unrelated to the fact that much unemployment in the Arab region is a result of high female unemployment, which in turn involves educated jobseekers.

The underutilization of educated women in the Arab region adds to the missed opportunity of exploiting the "demographic window of opportunity". As figure 2.2 showed, the share of youth in the population is declining. At the same time the share of the elderly is increasing fast. There are no estimates of the loss resulting from past policies failing to make use of this window. However, estimates from other regions are illuminating. For example, it is estimated that this "demographic dividend" contributed between 1.4 and 1.9 percentage *points per* annum to East Asian per capita GDP growth between 1965 and 1990, that is about one third of growth over the period.[34] Had this bonus been added to the economies of the Arab region in the last couple of decades, it would have increase the rate of economic growth.

In addition to largely failing to take advantage of the demographic dividend, the Arab region seems to have missed two other, related, opportunities. First, by not having a level playing field in the private sector and supporting big capital investments, the Arab region failed to spearhead economic growth through factor accumulation that has typically guaranteed sustainable and shared growth. A good example of this is again the case of East Asia, where the relative importance of factor accumulation versus total factor productivity growth seems to come down squarely on the side of accumulation – and women are a significant source of it.[35] Second, the region has paid less attention to gender inequalities employment. The underutilization of women adds to the above-mentioned losses from the missed opportunities of the demographic dividend and factor accumulation. One study comparing sub-Saharan Africa with East Asia, found that gender inequality in employment cost sub-Saharan Africa 0.8 percentage points a year in per capita growth between 1960 and 1992. These inequalities account for up to 20 per cent of the difference in growth rates between East Asia and sub-Saharan Africa during the same period.[36] In other words, making better use of women workers increases productivity, not only because women jobseekers typically have higher than average education, but also because this can increase mobility across sectors and jobs and thus avoid crowding into certain sectors and depressing wages therein. This can contribute to development through both extensive growth (accumulation) and intensive (productivity) growth. This chapter focused on quantitative aspects of labour supply very much as the previous chapter focused on quantitative aspects of labour demand. The next chapter examines what the outcomes of interaction of supply and demand in terms of quality of employment and household incomes.



Chapter 3: Quality of jobs and standards of living

Chapter 3
Quality of jobs and standards of living

Reforms since the 1990s were too centered on economic issues and fell short of improving governance and institutions that would create inclusive economic growth.

Introduction

The level of wages is one component of job quality, and is typically considered to be the most important. However, type of work (even at high pay), job security, access to social protection, level of responsibility and independence assigned to the worker are also important considerations for workers' motivation and dignity. Given that the quality of a job is a multi-dimensional concept whose components can be valued substantially differently by different people, it is difficult to capture it in a single index. Moreover, data in the Arab region are generally inadequate even for the more quantifiable areas of the labour market, such as wages.

This chapter therefore utilizes various internationally comparable indicators that can be used as a proxy for the quality of employment. The indicators used are the share of working poor, the share of vulnerable workers in total employment, and one more subjective measure: the proportion of workers who are satisfied with the available opportunities for good jobs.

At the more macro level, the analysis is supplemented by six additional indicators. These are the share of household consumption in GDP; the share of wages also in GDP; the poverty rate; income inequality; and the Human Development Index; and another subjective indicator, namely, the proportion of citizens who expect their standard of living to deteriorate.

With the benefit of the discussion in the previous chapters, the findings of this chapter constitute a rather coherent explanation of how development has evolved in the Arab region (outside the GCC) in recent decades.[37]

First, the old social contract came to a standstill as rising public expenditures came up against the fiscal constraint. Rising expenditures were mainly the result of expanding government employment combined with relatively generous benefits for public sector employees and, through social insurance, for the more privileged parts of the private sector. The majority of the population had to be satisfied mainly through *ad hoc* social protection measures, particularly food subsidies. The old system needed to be reformed.

Second, reforms focused much more on the economic side than the institutional side, and were uncritically pro-market without due consideration to social impact on inequality.

Specific country exceptions aside, the following is a reasonable summary of developments in the Arab region since the 1990s:

- The output growth (rate of change in GDP) has been relatively high in the region over the past decade, at least by historical Arab standards, and has been accompanied by a commensurate increase in employment at stable or slightly rising real wages
- However, the rate of increase in total output growth (around 4 per cent annually) translated into only half that increase in *per capita* incomes due to the concurrent population growth
- In addition, the wage share of GDP declined drastically in the region, implying that the economic growth favoured labour earnings less than other forms of incomes that are typically earned by the non-poor
- The test in the end rests on household consumption, whose share in GDP has fallen by about 9 percentage points in the last couple of decades
- Putting all this together suggests that only a small part of the apparently substantial increase in GDP was transferred to workers and, through their earnings, to households
- This also explains the rather insubstantial fall in poverty rates in the region: while a small proportion of economic growth trickled down to ordinary citizens, most of it must have accrued elsewhere
- Parallel to that, progress in social development (as measured by the Human Development Index) started to lag behind economic growth, an indication that public expenditure was failing to fully accompany the ongoing economic transformation, and the rising aspirations of citizens that come with rising incomes.

Although these effects should have increased inequality, the empirical evidence is ambiguous. However, what may matter more is citizens' perceptions of inequality combined with an increasing sense of insecurity and low expectations

for improvement of their position in the future. In fact, some evidence presented in this chapter suggests that pessimism was rising in the Arab region before the Arab Spring.

Quality of jobs

Working poor: fewer but not by much

In the present context, a worker in the region is considered to be poor if income from employment is not high enough to secure per capita consumption for him/her and his/her family of $2/day or more. This is equivalent to the value of national poverty lines of most non-GCC Arab states.

Based on the share of working poor in total employment, the Arab region fared well in the early 1990s (figure 3.1). Leaving aside the GCC states, where the share is reported to be practically zero, the share of working poor in the Middle East and North Africa were the same at 35 per cent of total employment. Overall, the shares in these two Arab subregions were higher compared only to those in Latin America, Eastern Europe and Central Asia. They were less than half those in the three Asian subregions and sub-Sahara Africa.The two Arab subregions experienced a rather significant decline in the share of working poor. The share declined by one third in the Middle East and by one fifth in North Africa or, on average for the two subregions, by 20 per cent.[38] Accordingly, there was a decline in the share of those in vulnerable employment, which is discussed separately in the next chapter.

However, the percentage decline in share of the working poor was faster in some other regions. In East Asia, primarily due to China, the share of working poor was reduced from 83 per cent to only 18 per cent, an impressive reduction of four fifths. Latin America and the Caribbean as well as South East Asia and the Pacific regions also achieved a faster rate of decline than these two Arab subregions. These results are also consistent with the slow poverty reduction of the region since 1990 discussed later on in this chapter.

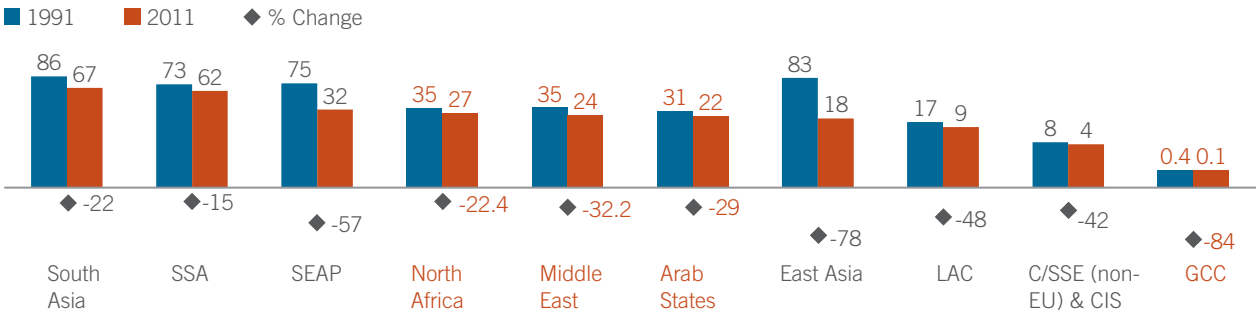
Another indicator with respect to wages is their share in GDP. It might be expected that the decrease in the share of the working poor combined with the increase in employment reported in chapter 1 had contributed to the increase in the share of the total wage bill in GDP. However, this is not the case. Though the wage share has declined in practically all world regions since the early 1990s,[39] what makes the Arab region different is the speed and depth of decline, especially in North Africa, where the wage share fell by more than 34 per cent since 1998 (figure 3.2).

Though there is not specific information for the Arab region, the decline in the wage share is generally stronger for low-skilled workers. Where data are available, as it is for the advanced economies, they suggest that the wage share among low-skilled workers fell by 12 percentage points between the early 1980s and 2005, while it increased by 7 percentage points for their high-skilled counterparts. For low wage earners such changes can be quite dramatic, as even small reductions can inflict high losses in relative terms that may push workers below the poverty line. If this is also the case for the Arab region, it may have contributed to an increasing sense of inequality among the majority of workers along with the slow reduction in poverty.

The share of working poor and that of workers in vulnerable employment declined but the share of wages to GDP declined faster. This suggests that sources of income other than wages increased much faster.

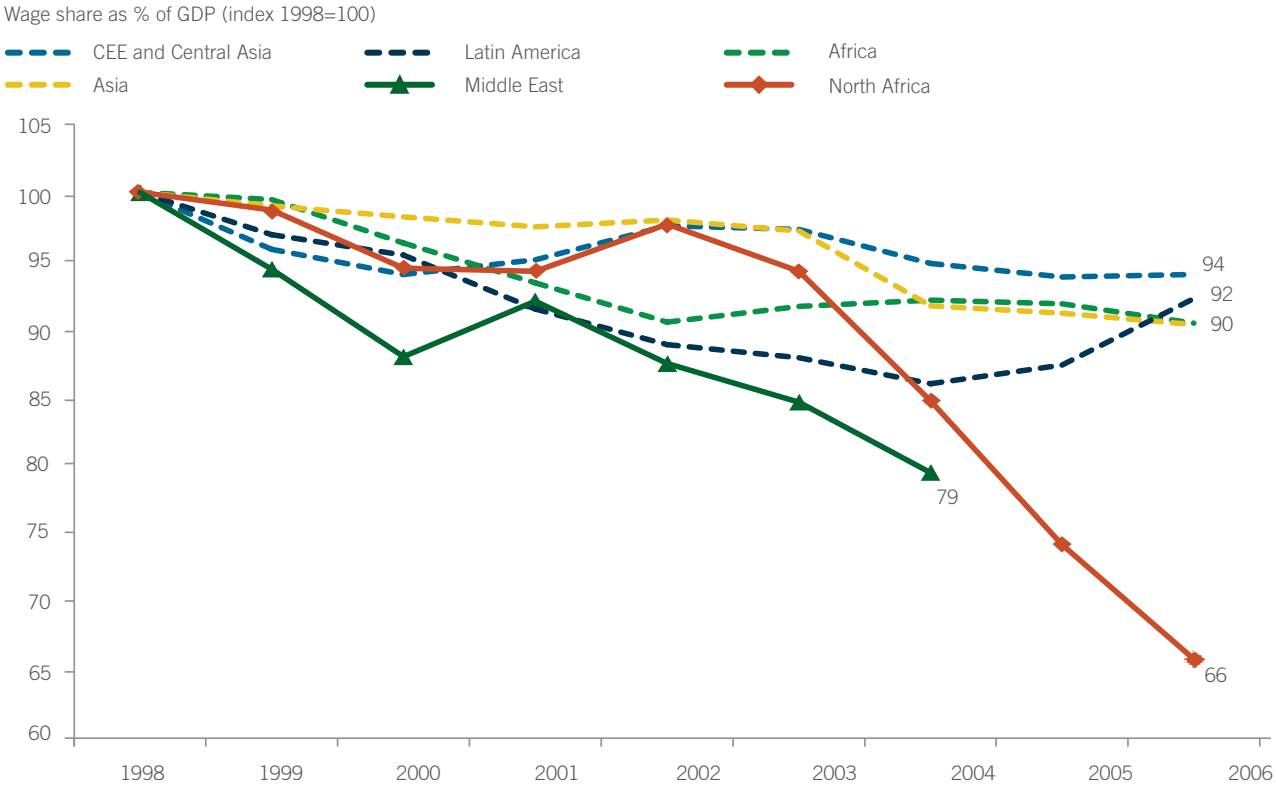
Figure 3.1: The share of working poor has been relatively low in the Arab region but declined slowly over time

Share of working poor ($ 2 /day) in total employment by region, 1991 and 2011



Source: ILO (2011b and 2012)

Figure 3.2: The share of wages in GDP declined faster in the Arab region than in other regions



Source: IILS (2011a).

Employment vulnerability: low but not for Arab women

Vulnerable employment refers to the sum of own-account workers and contributing family workers. Accordingly, the vulnerability rate is the ratio of this sum to all those in employment, including employers and employees. The majority of these workers tend to be engaged in the informal economy and operate outside the formal social insurance system.

Unlike the indicator for working poor, some qualifications are in order in the case of vulnerable employment. First, not all those in self-employment or family work are in a vulnerable position. For example, self-employment includes professionals such as engineers, architects, lawyers and highly skilled technicians. Similarly, family work does not always take place under vulnerable conditions.

Second, by mainly excluding employees (and employers whose numbers are relatively small), there is an implicit assumption that wage and salary earners are not vulnerable. While this may well be the case for most public sector employees and workers in companies in the formal private sector, there are also many others engaged in wage employment under precarious contracts or in sectors and jobs that are excluded from the provisions of the labour law or formal social insurance coverage. The case of GCC economies that report practically zero rates of vulnerable employment is a case in point. The GCC economies appear to have the lowest share of workers in vulnerable employment. However, although the majority of workers in most of these countries are indeed under wage contracts, they are also predominantly migrant workers employed without job security and under wage and employment conditions that differ from – and are typically inferior to – those enjoyed by nationals. They are also often excluded from certain provisions of labour law and social insurance.

Bearing in mind that this definition is less reliable than that of working poor, figure 3.3 depicts the share of workers in vulnerable employment so defined across world regions and over time. Predictably, the GCC is again shown as the region that has the lowest share of workers in vulnerable employment.

More interestingly, the other two Arab subregions again occupy the lower end of the spectrum in terms of ranking. Latin America, Eastern Europe and Central Asia outperform the two Arab subregions but by a smaller margin than in the case of share of working poor.

The vulnerability trends for the Arab region look better in a comparative context than those for working poor. The share of Arab workers in vulnerable employment has declined by 20 per cent. This decline was second only to that in East Asia. The Arab region has closed much of the previous difference with Latin America.

An similar way to measure vulnerability of employment is to examine directly the share of wage earners in total employment. This is done in table 3.1. In both the Middle East and North Africa the share of wage earners has increased, as it has for the rest of the world. When comparing the Arab subregions to the rest of the world, the share of wage earners increased faster despite being initially higher, with one exception: women workers in North Africa.

The share of women in vulnerable employment compared to the share of men in vulnerable employment in the region is the highest in the world and has increased in the last 20 years (figure 3.4). Women in North Africa are also more vulnerable than their counterparts in the Middle East. More specifically, compared to men, women in North Africa have rates of vulnerability of 33 per cent (compared to 55 for men), while in the Middle East the rate is 37 per cent for women (and 56 per cent for men). This is compatible with the figures reported in table 3.1. While the global average for the share of female wage earners in 2009 was practically the same as that for men (46.8 per cent compared to 47.9 per cent), the figure was 79 per cent for North Africa and 85 per cent for the Middle East.

In conclusion, the vulnerability rate is higher than the share of working poor for all regions. Both rates declined across the world and also in the Arab region. The reduction in the share of vulnerable workers was faster in the Arab region than was the share of the working poor. Within the Arab regions, while the vulnerability rate was higher in the Middle East in the 1990s, the share of working poor is now higher in North Africa. This is due to the faster decline in working poor in the Middle East than in North Africa that has, however, experienced a faster reduction in unemployment in the last decade.

This changes perhaps explain why disatisfaction with the availability of good jobs in the Arab region is neither higher nor lower compared to other regions (see text box 3.1).

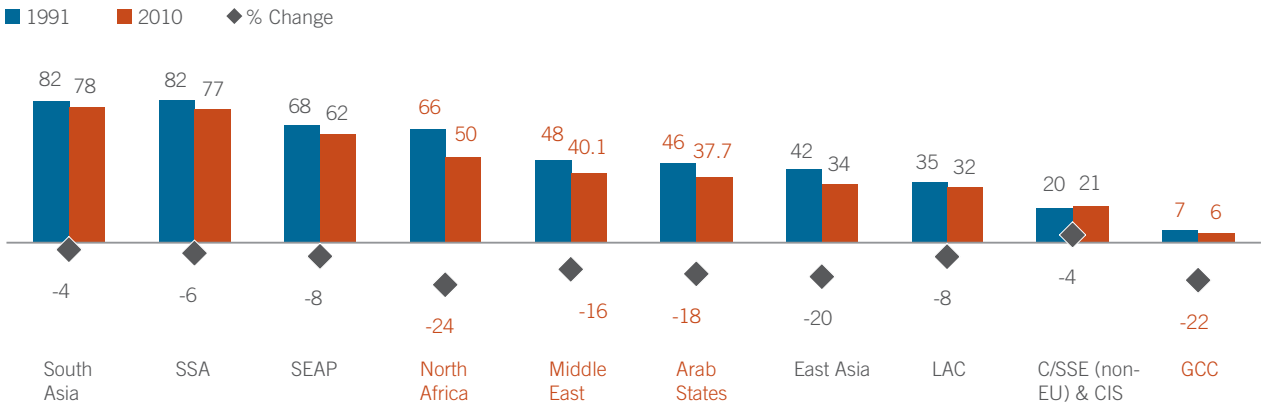
Table 3.1: Level and changes in the share of wage earners in total employment, averages for MENA region and World, 1991 and 2009

WAGE EARNERS			
	YEAR		% OF GAP BRIDGED
TOTAL	1991	2009	
WORLD	41.4	47.4	10
MIDDLE EAST	51.9	62.4	22
NORTH AFRICA	43.9	49.1	9
MEN			
WORLD	42.5	47.9	9
MIDDLE EAST	55.3	64.4	20
NORTH AFRICA	46.0	51.8	11
WOMEN			
WORLD	39.7	46.8	12
MIDDLE EAST	34.2	55.0	32
NORTH AFRICA	36.3	41.0	7

Note: The gap is calculated as the difference between the value in 2010 and the value in 1991 over 100 minus the value in 1991.
Source: ILO (2011c).

Figure 3.3: Vulnerable employment in the Arab region has also been relatively low and declining over time

Vulnerable employment as % of total employment by region, 1991 and 2010

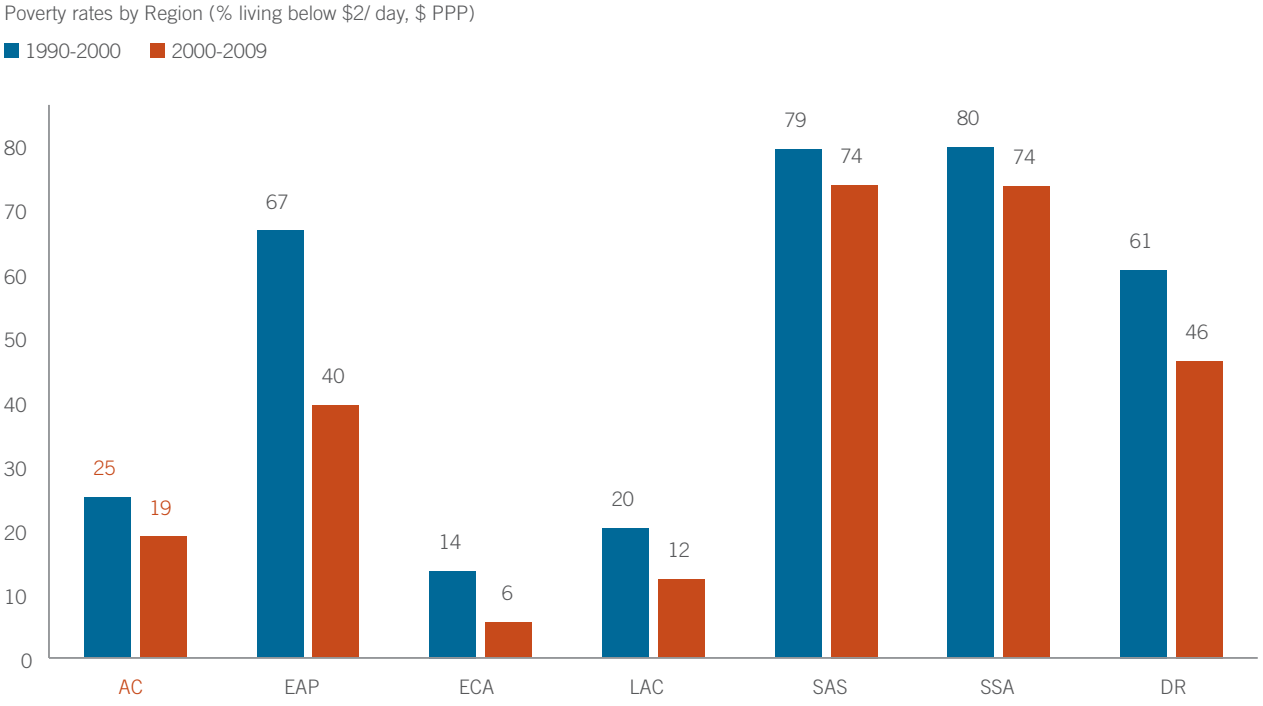


Source: ILO (2011b and 2012).

Figure 3.4: The share of women in vulnerable employment compared to men in the Arab region is the largest in the world

Source: ILO (2011b and 2012).

Figure 3.5: Poverty rates in the Arab region are low but decline slowly



Note: Arab countries included are Djibouti (1996 and 2002) , Egypt (1991 and 2009), Jordan (1997 and 2006), Mauritania (1996 and 2000), Morocco (1991 and 2007), Syria (1997 and 2007), Tunisia (1990 and 2000), and Yemen (1998 and 2005).
Source: UNDP (2011a) based on World Bank POVCAL data sets and HIES unit record data.

Text box 3.1: Satisfaction with good job opportunities

A 2010 survey sought to collect self-reported rates of dissatisfaction among workers about their jobs. The question asked was: "In the city or area where you live, are you satisfied or dissatisfied with the availability of good job opportunities?"

At just under 60 per cent, the rate of dissatisfaction in the MENA region sits squarely in the middle of the rates reported for other world regions. However there is considerable intra-regional variation. The reported rates of dissatisfaction in Egypt, Jordan, Lebanon, Sudan and Yemen were more than 75 per cent in 2010.

The difference in dissatisfaction between Arab youth and the adult Arab population followed the general pattern of youth being less dissatisfied than adults. However, the difference was small suggesting that both groups felt more or less the same about their work.

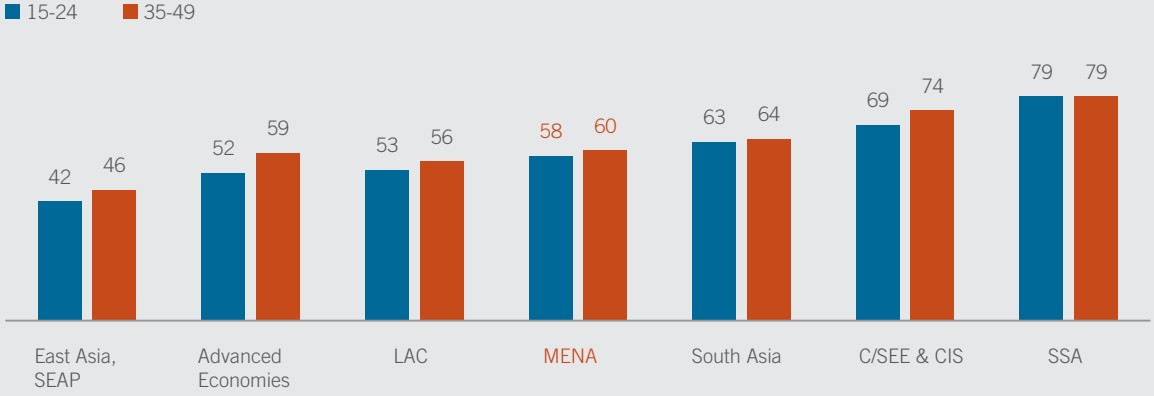
The evidence from country groupings suggests that there is a tendency for the differences between these two groups to increase with country income. South Asia and sub-Saharan Africa report narrower age differences than MENA. The advanced economies, Eastern Europe, Central Asia and Latin America report larger differences than MENA. This finding may relate to financial and fiscal crises that have affected the developed world more than the developing countries and the associated easing of job security regulations.

The current concerns about youth employment in the Arab region should therefore be seen in the context of prospects for adult workers, too. This is important as the demographic structure of the population is changing and the share of the youth declines while that of adults is increasing.

Source: Adapted from IILS (2010).

Arab youth and Arab adults have similar feelings about the availability of good jobs

Dissatisfaction with the availability of good jobs, 2010: % dissatisfied



Quality of life

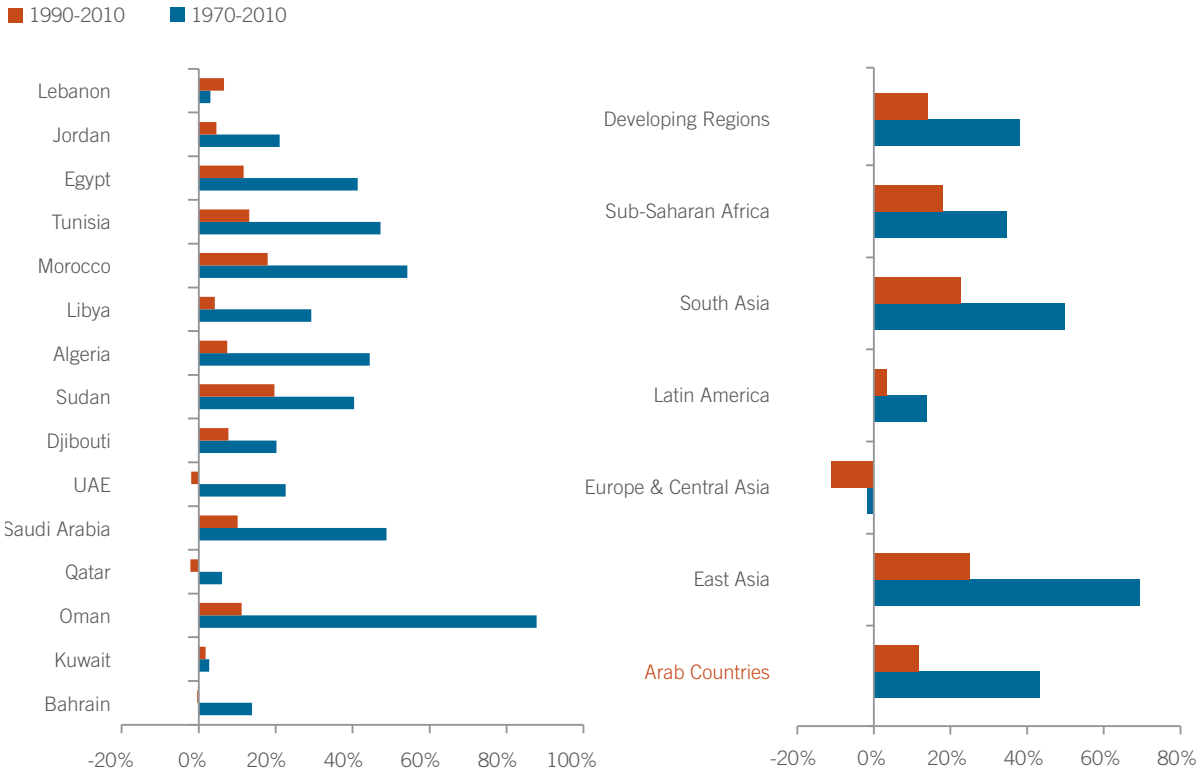
Declining poverty but small gains in human development

The Arab region has some of the lowest poverty rates measured by the international benchmark of per capita corruption equivalent to $2/day in the world and they have been declining (figure 3.5).[40] At a more concrete level, poverty in the Arab region, as measured by national poverty lines, is reported to have declined from an average of 20.3 per cent in the 1990s to 18.1 per cent in the 2000s.[41] The pace of poverty reduction is rather slow, but confirms the relatively slow decline in the shares of the Arab working poor.

The slow pace of reduction in income poverty has been accompanied by a slowing down in the progress on the Human Development Index (HDI), as shown below in figure 3.6, which presents the change in the gap between Arab countries and the world's ten highest-HDI countries. Although the slowdown is also depicted for other developing regions, it is particularly notable for Arab countries. The HDI takes into account not just income, as in the case of

Figure 3.6: Progress in the HDI slowed down in all but one Arab country

Change in difference between income poverty and HDI compared to the ten countries with the highest HDI



Source: UNDP (2011a).

poverty, but also indicators relating to education and health. It is thus a better proxy for measuring changes in standards of living and quality of life.

Since the 1990s, income poverty has declined but so has the rate of social progress measured in terms of the Human Development Index.

After taking off at a fast rate in the 1970s, the rate of increase in the value of HDI in the Arab regions has slowed down noticeably since the 1990s. Early improvements were relatively easy to achieve as the Arab region started from a low base and dedicated large investments in social services as a result of the initial effects of the first oil boom in the 1970s and the paternalistic approach of the State.

Progress has started to slow down in the last couple of decades. This is partly because of the very low base in the early 1970s and the decline which is expected with incremental advancements towards the limit. However, it is also due to the fiscal constraints of the old social contract eventually reaching a limit and their failure to implement effective policies to translate gains in material wealth into human welfare. In other words, the Arab region ended up with social outcomes (in terms of those covered by the HDI) inferior to those expected from their level of income. With the exception of Jordan, oPt and Tunisia, all other Arab countries score less on the HDI compared to per capita income (figure 3.7).

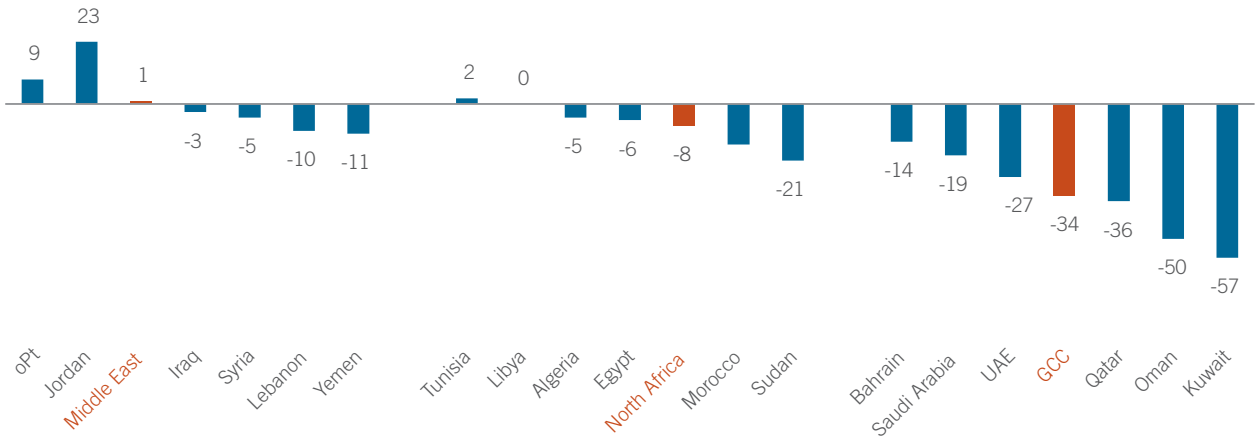
Low expenditure inequality but little known about wealth accumulation

Apart from poverty, inequality has also been cited as one of the factors behind the concurrent uprisings in many Arab countries. Leaving aside questions as to whether or not inequality reached the same critical level in so many Arab countries at more or less the same time and the exact nature of that inequality, the evidence in this respect is more scanty than in the case of poverty and some of the evidence there is contradictory.

On the available evidence, the Arab region appears to have low-to-moderate levels of inequality in terms of household expenditures compared to other regions of the world (figure 3.8).[42] However, inequality shows significant variation across countries: Morocco and Tunisia have relatively high

Figure 3.7: All but three Arab countries score low on the HDI in relation to their per capita income

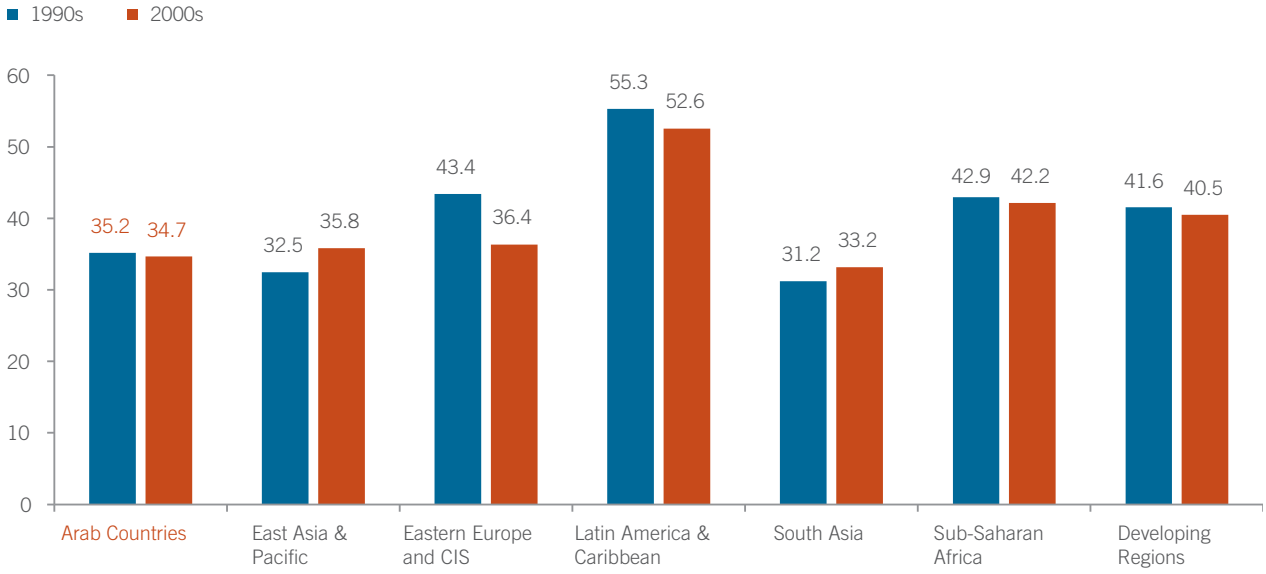
GNI per capita rank minus HDI rank in the Arab region, 2011



Source: UNDP (2011b).

Figure 3.8: Arab countries have moderately low levels of inequality compared to other developing regions

Inequality in expenditure for developing regions (Gini coefficient), 1990 - 1999 and 2000 - 2009



Note: Regional Gini coefficients are weighted by total expenditure.
Source: Authors estimates based on World Bank Development Indicators Database and UNDP (2011a).

inequality, while others, such as Yemen, Egypt or Syria, show moderate to low inequality.

Overall regional inequality appears to be relatively stable over the last 20-30 years for which comparable data are available.[43] Changes in expenditure inequality during this period, measured as the GDP-weighted Gini coefficient for the region, declined from 35.2 to 34.7.

This statistical evidence that is focused only on household expenditures tells a partial story. In view the glaring

The share of private consumption in GDP declined over time and, with it, pessimism about future standards of living increased in the late 2010s.

manifestations of rising concentration of wealth in many Arab countries since the 1990s, particularly in countries which have undertaken liberal economic reforms, a

significant rise in inequality is likely to have taken place. Other types of inequality may have increased, such as sub-national inequality, which seems to fit the geographic spread of the uprisings in Tunisia and Syria, which began with protests in poorer cities, but not Egypt's Cairo-centred protests.

No firm conclusion can yet be reached about the link between changes in available measures of inequality in the Arab region and the uprisings. However, it is possible that the available surveys – from which common measures of inequality are derived– fail to sample the richest households (for example, the top 5 per cent). This is relevant as it has become increasingly evident in many countries that much of the rise in inequality over recent years has come from extreme concentration of income and wealth among the richest households, in some cases the "top 1 per cent", as they are commonly called following the global financial crisis of 2008. Thus, one explanation for the lack of visible changes in inequality might be that the rising fortunes of the highest percentiles have escaped statistical detection. Household consumption lagged behind increases in GDP

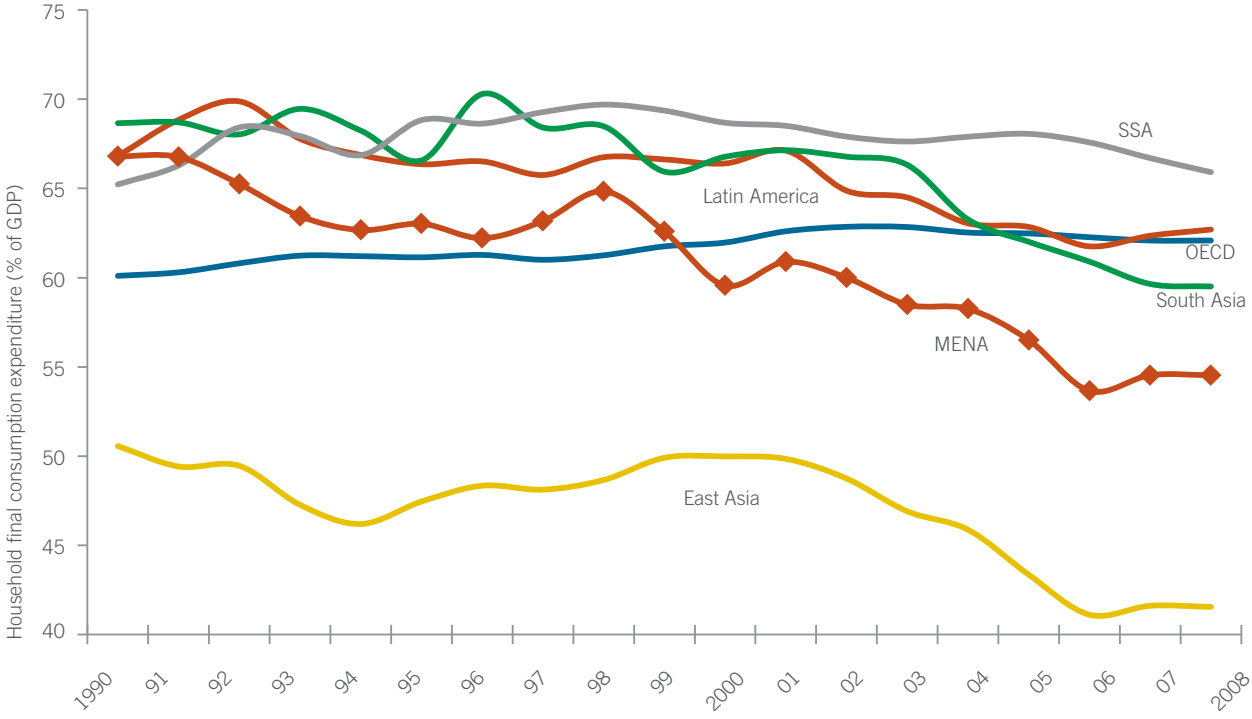
Despite the ambiguity of the above statistics on quality of jobs and life (through the money metric indicators of poverty and inequality), a rather clear picture at the macro level emerges from an examination of the ratio of household consumption to GDP. Figure 3.9 shows the clear and almost linear decline of this statistic in the Arab region since the early 1990s.The reduction in the share of household consumption in GDP has been 9 percentage points. This is a significant decline also in comparison to other world regions. Though the consumption share in GDP also declined in other regions, it did not decline as much. In other regions it seems to have been more the result of high rates of economic growth, in South Asia and especially East Asia.

In some ways, the figure is in line with the observation that micro surveys in the region are not properly sampled – as is shown by the discrepancies between their results and national accounts statistics – and the resulting hypothesis that the rise in inequality has evaded statistical detection.[44]

Moreover, poverty or a given level of consumption is not a static state. Not everyone who is poor today will necessarily be poor next year while high consumption in one period may be reduced in another. People know this and form expectations about their prospects. A bad outcome today may not be devastating, if people believe it will pass. In this respect, the perception of Arab citizens about their prospects seems to have been deteriorating in the last decade. In fact, the Arab region is the only one of the developing regions included in figure 3.10 in which pessimism has been on the rise over time.[45] This expectation among more than 20 per cent of Arab people that their standard of living was declining is even more significant when it is considered that

Figure 3.9: Household consumption as % of GDP has been in decline since the 1990s

Household consumption as % of GDP by region, 1990 - 2009



Source: IILS (2010) based on World Bank WDI

Figure 3.10: Despite economic growth, pessimism was on the rise

Source: IILS (2011a) based on Gallup World Poll Database.

it applied to a period when GDP was rising and employment was increasing.

Concluding remarks

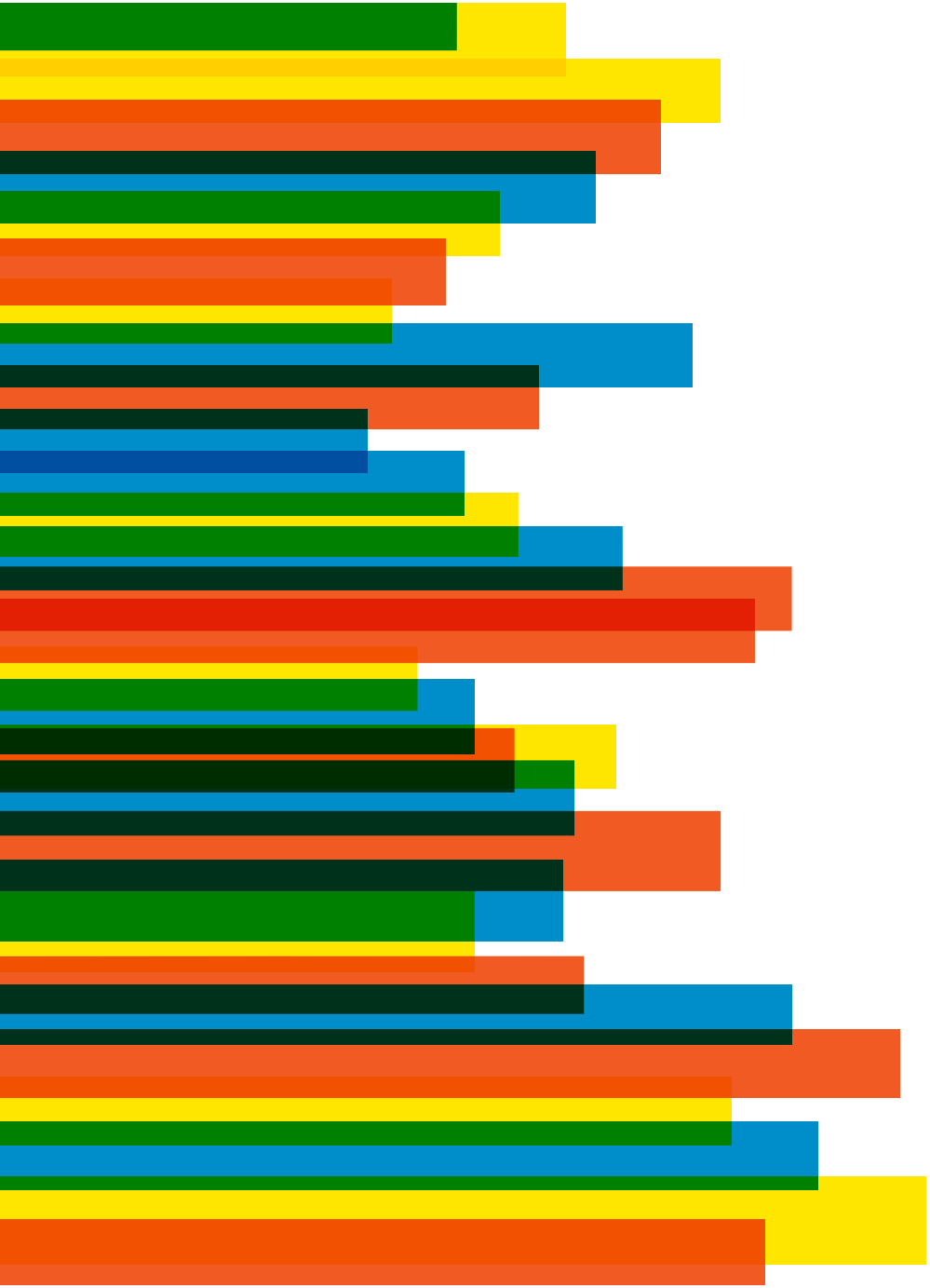
Despite the diversity of the evidence presented in this chapter, there seems to be some convergence between how the economy performed, how the labour market reacted, and the outcomes for the welfare and expectations of ordinary citizens in the Arab region.

First, the economic reforms that have taken place since the 1990s seem to have taken up some of the employment slack in the economy and labour markets. In terms of wages, the shares of working poor on $2/day declined by 20 per cent and of those on $1.25/day by 51 per cent. There was also a decline in the share of those in vulnerable employment though this statistic is more difficult to measure.

Household consumption increased in real terms, albeit slightly. This explains the slow poverty reduction in the Arab region in conjunction with practically no change in inequality. However, consumption did not increase as fast as GDP. Therefore, despite some progress, the region has generally failed to transform its increasing wealth into a commensurate improvement in human well-being for the majority of citizens.

The discrepancy between increases in regional incomes and improvements in the Human Development Index is indicative in this respect. Another important dimension of inequality is inequality of opportunity, which reduces hope and creates a sense of unfairness that many have associated with the uprisings in the Arab world. Whereas inequality of outcomes in the Arab region is generally below what is observed in Latin America, several countries in the region exhibit levels of inequality in opportunity that match those in Latin America.[46] This type of inequality is discussed in the chapter on education and may be particularly relevant to the present discussion when citizens perceive that bad outcomes are not the result of their own action or within their control. They are therefore able to blame others and, in the absence of voice, they resort to other means to express their discontent.

The evidence concerning Arab citizens' pessimism about their future standard of living is more than suggestive. The fact that the economy and employment were growing fast to the point that the decade before the Arab Spring was heralded as an "Arab renaissance" meant little to them. It seems the demands of an increasingly educated and well versed population for freedom, dignity and social justice dwarfed the perceived gains from the positive effects in the specific economic and labour market areas discussed in this and the previous two chapters. That the uprisings first broke out in Tunisia and Egypt, the two countries in the region which were praised for the success of their economic policies, is a case in point. The analysis of this report is in line with the view that at the end "it is bad politics that produced undesirable outcomes, not bad economics *per se*".[47]



Chapter 4: Education and skills

Chapter 4
Education and skills

Introduction

The Arab region has made great strides in education. Most Arab countries have achieved universal or near universal primary enrolment since the 1970s. At secondary level, the gross enrolment rate has risen from just over 20 per cent to nearly 70 per cent, an increase from 4 million students to almost 30 million. The youth literacy rate is now 92 per cent in North Africa and 99 per cent in the Middle East and the GCC.[48] Female education has caught up with male education and in many countries there are more female than male university students, the ratio being as high as 7:3 in some GCC countries. Today, the total student population is almost 80 million, which implies that almost one Arab in four is in school.[49] While large numbers of people are coming out of the education system, graduates have not necessarily had a high quality education and do not always have relevant skills that equip them to compete in the open labour market. There have been many studies of education and skills in the Arab region, all identifying many problems with the quality of education, both in terms of learning outcomes and labour market linkage.[50] This is on the labour supply side.

Mismatches need also to be examined from a labour demand perspective as they are not necessarily a reason for unemployability. For example, when a worker does not have the right skills, he or she will be paid less. Even if some critical level of craftsmanship is missing, production does not stop: The outcome is a product or service of poor quality that fetches a lower price in a market. Alternatively, when employers do not have the necessary inputs to operate their businesses, they buy them or try to develop them themselves. The same applies to labour: when there is scarcity of skills, firms have two options. One is to poach workers from other firms by offering better remuneration and work conditions. The other is to train their own workers, in which case they pay the cost of training. Either way, more skills come at a cost. So when employers say they do not find the skills they need, it is important to understand whether skilled workers are not available or employers are not prepared to pay more for skills.

This brings us back to the structure and performance of production: if government policies and market incentives constrain the growth of high value-added production, there *will be no demand* for skills, as it is not worthy for employers to pay high wages. However, another relevant issue for many Arab states is that governments can also affect the private labour market by their own hiring, employment and pay practices. This was the case with respect to the uncritical expansion of employment in the public sector in the Arab region that created incentives for jobseekers to obtain education suitable for finding a job mainly in the public sector and refuse work in the private sector unless they had no alternative. This "credentialism and queuing" argument for the high unemployment rate among educated workers was valid during the old social contract. In some countries graduates even had a constitutional guarantee of employment in the public sector. The extent of this argument's relevance today is more debatable as in many Arab countries in the last decade most of net employment creation came from the private sector.[51]

Small wage differences between educated and less educated workers, high educated unemployment and high skilled emigration rates, all suggest that the supply of educated workers exceeds the local demand for such workers.

The truth is therefore somewhere in between these two explanations. On the one hand Arab jobseekers have a preference for working in the public sector that increases their reservation wages for work in the private sector. On the other hand, employers do not find the skills they would like to have but are not prepared to invest much on the development of their workforce.

This chapter argues that it is mainly the type of jobs that are created that leads to investments in human resources, rather than investments in human resources leading to job creation. Once the macro economy and various sectoral policies create opportunities for productive types of jobs that require more skills, jobseekers will have the incentive to make the appropriate investments in their human capital in order to get those jobs.

Furthermore, if the supply of skills falls short of those demanded by employers, employers will face three choices: provide training themselves, pay higher wages for skills that are in short supply, or, if they can, tap the supply of migrant workers. It is further argued that, although the quality of education can be enhanced, skills mismatches have not been the major constraint for the employability of young

Arabs. The Arab region has one of the highest emigration rates in the world; the question therefore arises as to why it is that young Arabs can compete in sophisticated and complex economies but not in their own countries.

The supply of education: educated and jobless

The pursuit of credentialism in order to gain access to public sector jobs was an undesirable consequence of the old social contact, one of the components of which was employment in the public sector. While the extent to which this is still the case can be debated, the fact is that Arab students today perform less well in standardized international examinations than students in other regions. For example, table 4.1 shows that all Arab participating countries scored below the international average in mathematics.

Arab students fare poorly in internationally comparable tests, particularly those in countries where public employment is more or less guaranteed.

It is tempting to attribute the low education performance to failures of the education system. It is also easy to criticize the labour authorities for not providing training or, when they do, delegating only a cosmetic token role in the design and implementation of training to the private sector. At the end, one may also say "it must be individual students" who are not excelling in education.

Intra-Arab differences in education performance suggest that these criticisms are not well founded. For example, education spending per student in GCC countries is high, access is free and students are often subsidized to continue their education. There is little reason, other than incentives, that prevents them from doing better in education.

The most likely explanation lies in the incentives for families and students to invest in human capital. In other words, it is likely that education outcomes are affected more by the demand for labour, or expectations about it, than by the supply of education (access).[52] On the one hand, employment in the public sector is more or less an automatic entitlement in the GCC, as it is based more on citizenship than merit, and recruitment is not guided by the need to develop a professional civil service but is used as a way to absorb the rising numbers of jobseekers.

On the other hand, students in the non-GCC countries that do not expect employment to follow automatically upon the completion of their studies do better in education. They typically face low wages, high unemployment rates and few prospects for employment in the public sector. Thus they have an incentive to do well in their studies either in order to be in a better position domestically or to be able to emigrate. Compatible with this view are the rankings of countries reported in figure 4.1 based on the willingness of youth to emigrate. Emigration does not seem to be an attractive option for youth in the GCC.

This suggests that, while the education supply can expand and its quality can improve, education performance in the Arab region, as in others, depends to a large extent on

Table 4.1: Student learning is below average in Arab countries

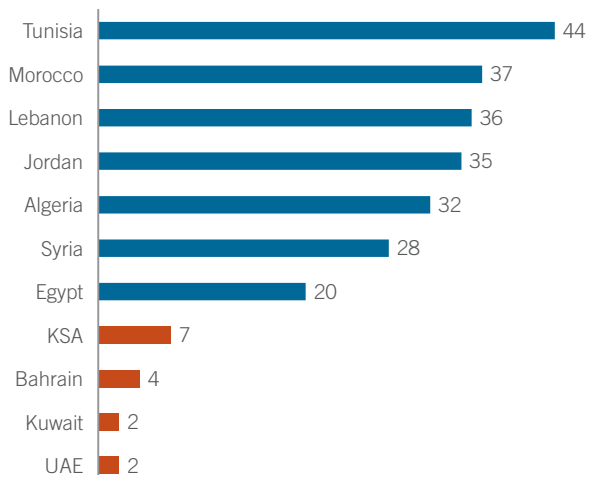
Student achievement in mathematics and science – international country rankings

RANK	COUNTRY	SCORE
1	Chinese Taipei (1st)	598
	International Average	451
28	Lebanon	449
31	Jordan	427
32	Tunisia	420
37	Syria	395
38	Egypt	391
42	Oman	372
45	Kuwait	354
47	Saudi Arabia	329
49	Qatar (Last)	307

Note: Based on TIMSS (2007) results
Source: Gonzales et al (2008).

Figure 4.1: Educational achievement is lowest when there are no incentives to emigrate

% of youth who desire to emigrate permanently



Source: Silatech (2010).

labour market incentives, i.e. the jobs available, which in turn depend on labour demand.

The demand for skills: at what wages and for what jobs?

There is a difference between *"there are no skills"* in some technical sense and *"there is no demand"* for better educated and more skilled workers in an economic sense. The former is what table 4.1 suggested, that is, the education system in the Arab region is underperforming. Whether this constitutes an economic bottleneck is a different issue. If the very nature of the private sector and business environment is not calling for sophisticated skills, even if the education and training system produces qualified workers, these workers will be either under-utilized locally (and be paid low wages) or may emigrate. Table 4.2 indicates that skilled emigration is high in countries where students perform well in the education system (table 4.1).

Employers' surveys are useful for examining whether there is an economic demand for skills. There will be low economic demand for skills, if government employment policies and private sector regulations restrict competition, adversely affect the amount and quality of investments and reduce the incentive to move to higher value added activities through licensing and monopolistic practices. As argued in Chapter 1, the Arab region, both in the past and more recently with its economic reforms, has failed to produce a genuinely competitive private sector.

Table 4.3 shows that perceptions of Arab employers about the education quality of the workforce differ on average according to whether they are in an oil-based or not economy. The differences are consistent with the data in the previous tables and figures in this chapter. Oil based economies provide few incentives to job seekers to get education given the importance of nationality for obtaining employment. In non-oil based economies, education is critical for job seekers to find a job locally or emigrate.

For comparison, table 4.3 also lists the results for high income countries. The top three countries in the table have quite advanced training systems (Switzerland, Austria and

Table 4.2: Educated Arabs tend to leave their countries (high-skilled emigration rates to the OECD and GCC countries), 2000s, %

COUNTRY	TOTAL 44 RECEIVING COUNTRIES	OECD	GCC
LEBANON	45.3	43.9	3.2
YEMEN	31.3	6.0	28.1
MOROCCO	19.1	18.6	0.7
TUNISIA	13.2	12.6	0.6
IRAQ	11.5	10.9	0.4
JORDAN	11.3	7.4	4.3
ALGERIA	9.7	9.5	0.3
EGYPT	8.3	4.7	3.9
SYRIA	7.9	6.2	1.6
BAHRAIN	6.0	5.1	0.9
QATAR	2.3	2.1	0.2
SAUDI ARABIA	1.1	0.9	0.1
UAE	0.9	0.7	0.1
OMAN	0.5	0.4	0.1

Source: World Bank (2010b).

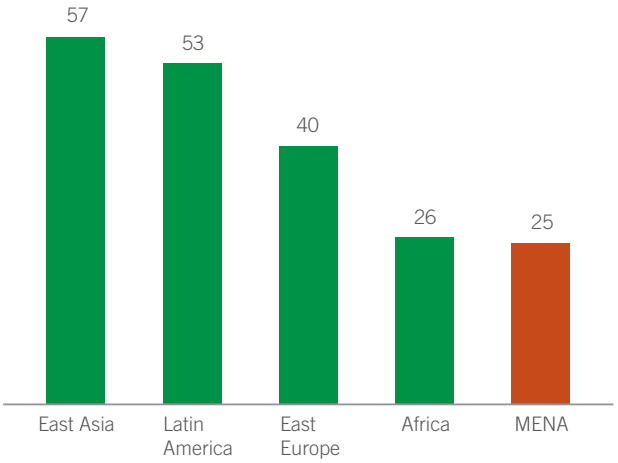
Table 4.3: Percentage of executives reporting inadequately educated workforce

OECD		ARAB	
SWITZERLAND	14.1	OMAN	21.8
AUSTRIA	13.9	SAUDI ARABIA	16.9
GERMANY	12.6	UAE	16.4
TURKEY	11.9	QATAR	15.1
CANADA	9.9	BAHRAIN	8.8
UK	7.9	KUWAIT	7.1
SWEDEN	7.4	GCC AVERAGE	**14.4**
USA	6.8		
NORWAY	6.7	LIBYA	9.7
AVERAGE	**6.2**	YEMEN	8.1
CHINA	5.2	ALGERIA	8.1
AUSTRALIA	5.1	OTHER OIL-PRODUCERS	**8.6**
DENMARK	3.4		
SPAIN	3.4	MOROCCO	11.6
FRANCE	3.1	JORDAN	8.5
PORTUGAL	2.8	EGYPT	5.3
FINLAND	2.4	TUNISIA*	5.1
GREECE	0.8	LEBANON	2.6
JAPAN	0.6	NON-OIL	**6.6**
ITALY	0.4	ALL ARAB STATES	**10.4**

** indicates data for 2010-2011*
Source: World Economic Forum (2012).

Figure 4.2: Arab firms train least

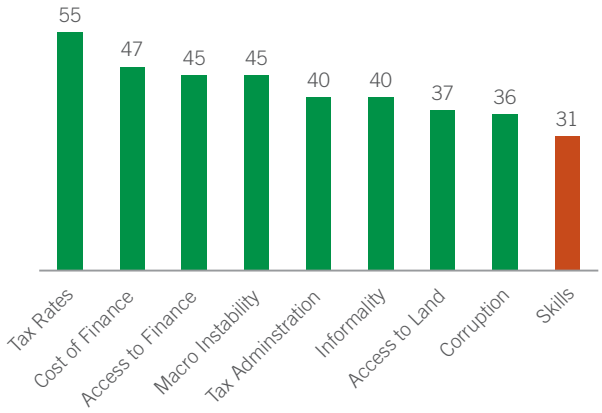
% of firms offering training by region, late 2000s



Note: MENA group includes Algeria, Egypt, Jordan, Lebanon, Morocco, occupied Palestinian territory, Oman and Syria.
Source: Almeida and Reyes (2010).

Figure 4.3: Skills is not a major constraint

Probability (%) of finding a given constraint to investment in MENA



Note: There are also other constraints whose probability is nevertheless less than 0.3; these include business regulations, uncertainty, labour regulations, electricity, customs and trade regulations, crime, transportation and telecommunications.
Source: World Bank ICA surveys.

There is a difference between "there are no skills" and "there is no demand for skills".

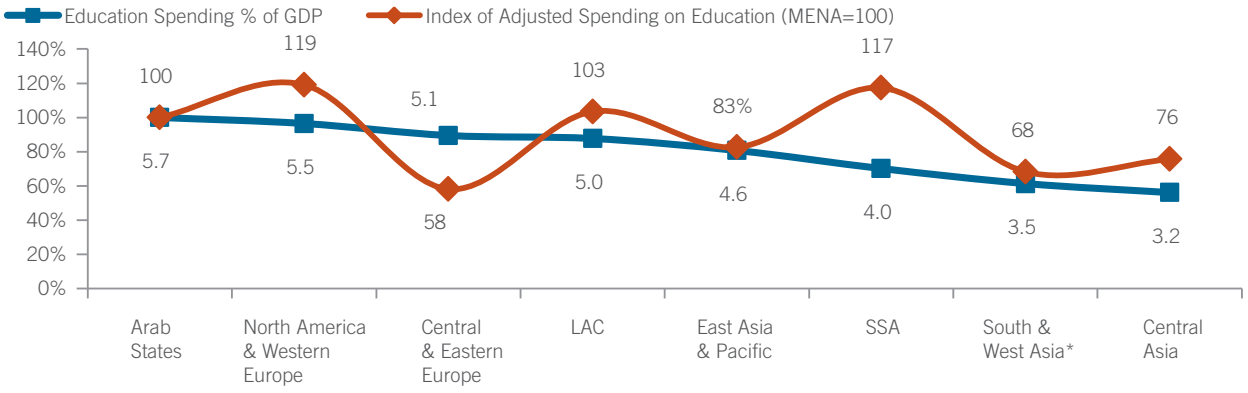
Germany). This is consistent with the shortages employers in these countries report. Consistent also with the view that the Arab region is not generally constrained by the labour supply side is that employers train least (figure 4.2). In fact, skills seem to be one of the least worries of employers in the region (figure 4.3).

Large inequality of educational opportunity

Many studies suggest that education spending as a share of GDP is large in the Arab region.[53] However, after taking into account the fact that one in four persons are in school, the apparently high spending in the Arab region becomes lower than that in high-income countries, Latin America and the Caribbean, and sub-Saharan Africa (figure 4.4). To the extent that much of spending in education is public, this can determine how opportunities, both for education and subsequently employment, are spread across the population.

Figure 4.4: Expenditure on education is high in the Arab region, but less so after adjusting for the number of children

Spending as % of GDP and adjusted by the share of children under 18 in total population



Source: UNESCO Institute of Statistics (UIS) and United Nations Population Division Databases.

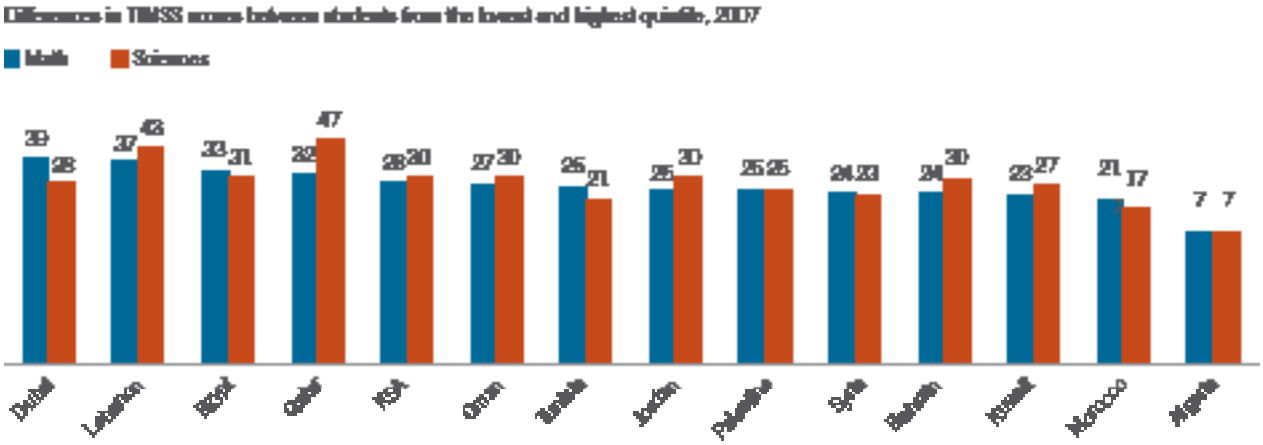
Based on a comparative analysis of learning outcomes in mathematics and science test scores across 16 participating Arab countries, a recent study confirmed the results reported in table 4.1 that average scores in the participating Arab countries were below the international average. Analysis of these results further revealed that the share of inequality in test scores accounted for by family background and community characteristics (inequality of opportunity) was high in several countries.

Inequality of opportunity in education is high between students from rich and poor families, and this calls for more effective public education systems.

Egypt, Lebanon and Tunisia showed levels of inequality of opportunity as high as those in some Latin American countries, which are generally considered more unequal than Arab countries (figure 4.5).[54] Further analysis found no evidence that inequality of opportunity in educational achievement had decreased over time. In some countries, notably Saudi Arabia and Tunisia, it had actually increased. The study suggested that the deterioration in inequality of opportunity may be due to increased use of private resources in education (private tutoring and private schools).

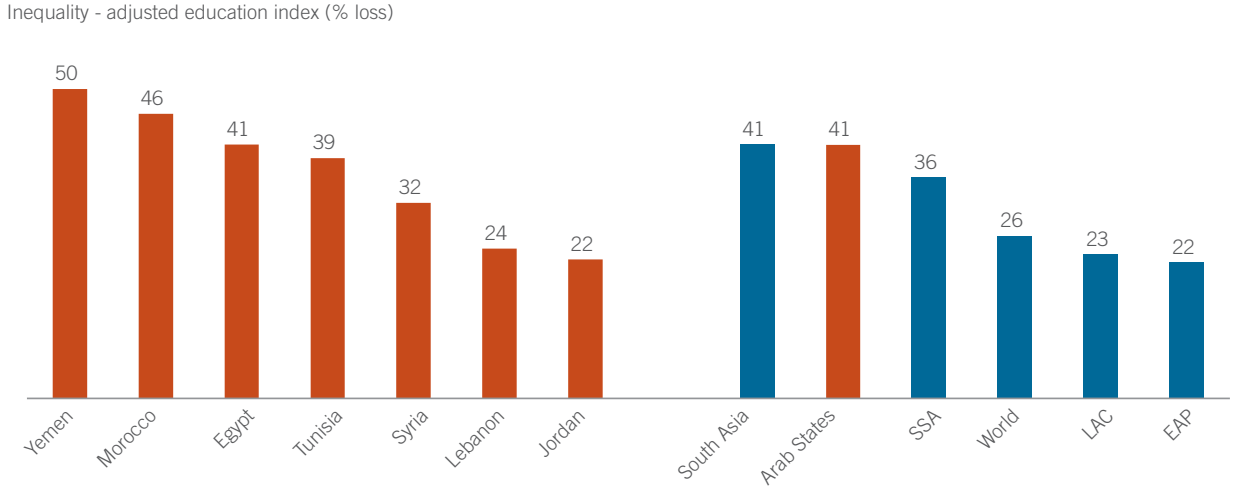
The difference in inequality reported in the micro data has not gone unnoticed at the more macro level. Figure 4.6 shows the value of the inequality-adjusted education index as of 2011.[55] The average loss for the Arab region is over 40 per cent, much higher than the world average of 26 per cent and even than Latin America which, as mentioned above, is known for its high and persistent inequalities.[56]

Figure 4.5: High inequality in educational achievement



Source: Salehi-Isfahani, Hassine and Assaad (2012).

Figure 4.6: Education can be compromised, if it is not equally distributed



Source: UNDP (2011b).

To vocationalize or not? This is the curriculum question

The discussion on the relevance of education in the Arab region typically focuses on how to make the unemployed employable. A lot of active labour market policies (ALMPs) in the region target even those with university degrees. The attraction of providing "hands-on" and "practical" skills is usually high. After all, this is exactly what many employers complain about: students have theoretical knowledge but do not know how to do things. Hence, as this thinking goes, training – *pre-employment training* – can make school leavers more employable.

This is intuitively appealing. It can be relevant for those children and youth who cannot, for lack of ability or means, continue into the general education stream. It should be taken seriously and receive attention within the education system or as part of ALMPs. While special cases need certainly to be paid attention, Governments need to also deal with issues that affect the majority of the population. A fundamental issue to be addressed is the cause rather than the effect, that is, why the education system does not keep children and youth in schools in the first place.

Training programs are valuable when they target the right job seekers and worker groups and are supported by employers. But many regional programmes tend to be public sector/ supply driven.

What the arguments for providing pre-employment skills miss in general (though not in specific cases) is the dynamic nature of labour markets, especially after the huge economic change introduced as a result of advances in technology and the advent of globalization. A good summary of the current and, more importantly, future state of affairs is contained in the following statement:[57]

"We are teaching students to do jobs that do not yet exist, using technologies that have not been invented, in order to solve problems we do not yet know are problems".

The fluidity of future labour markets is reflected in the projections that today's youth will have had 10-14 jobs by the age of 38, and that one-in-two workers will have been with their current employer for less than five years.[58] As technical information is doubling every five years, for students starting a four-year degree this may mean that half of what they learnt in their first year of study will be outdated by the time they reach their third year of study.

The relevant point for the Arab region is multiple and continuous attempts by some governments to vocationalize education at the level of secondary education. In some cases the response is vocal and in others it is silent. The vocal response comes from employers in the region when they state that they do not want to employ graduates from vocational centres. When skills are needed, employers typically prefer to do the training themselves as they cannot afford to rely on the slow response of public training centres that usually provide training based on what their trainers have learned in the past rather than what production requires today. Thus the answer to the employability of the youth is not merely to expand pre-employment training but to support employer-driven training that is based on actual job requirements and whose costs can be met, at least partially, by the employers themselves.

The silent response comes from jobseekers, who are not favourably disposed to vocational education, despite various incentives. The argument here is that vocational education, and education more generally, should not only satisfy the production requirements of employers. Education and training should also satisfy the supply side, that is, ask the question how students and their families view vocational education compared to general education and especially university education, since vocational education programmes typically preclude advancement to university studies.

Another rationale for the expansion of vocational education is precisely the last point put in a different way: since there is high graduate unemployment, university enrolment should be reduced by streaming students out of general education into the vocational stream. This requires authorities to turn vocational education into a dead end as far as possibilities for further studies are concerned. When applied in the Arab region (for example, in Syria), enrolments at secondary level declined as students dropped out of the education system when their only choice was to attend a vocational school.[59]

Reducing entry to universities as a solution to graduate unemployment has typically failed to produce the expected results: social demand for tertiary education is increasing over time. Accordingly, there has been a move in almost all Arab countries towards allowing the operation of private universities or even introducing user fees in public universities. Alternative approaches should include financial assistance to such students. Although this type of assistance would imply fiscal outlays in the short run, it can result in net social benefits in the long run.

This brings us back to the argument that policy coherence matters and socio-economic outcomes depend largely on a well-functioning macro economy. This also applies to vocational education, which needs to receive many kinds of support in the context of a coherent development framework that would include, of course, an active role for the private sector in the financing and the management of training.

Educated entrepreneur or educated employee?

Another approach to reduce unemployment is through entrepreneurship programmes, credit allocation, and support for micro enterprises and start-ups. Such incentives are found in the GCC at times more in the form of grants rather than repayable loans. This is appealing in pursuit of other objectives too: for example, such support can help those who live in relatively isolated areas with no access to formal labour markets. This is particularly so in the case of women, who tend to try to find gainful employment within the confines of their families and communities

Such programmes, which are typically part of ALMPs, are useful when properly designed, including with respect to the selection of beneficiaries. International experience indicates, however, that there are limits to how far such policies can convert people into entrepreneurs. First, in practically all countries and periods, wage employment has increased at the expense of all other types of work, including self-employment. Second, the employment multiplier effect of support for self-employment is small in relation to its costs: typically, a small new firm will employ the beneficiary and perhaps one or two others. Third, while the rate of creation of such small outfits can be high (at times 15 per cent a year), their rate of failure is equally high. In some cases, for every four new small business supported and established, two will die within a couple of years and one might have been created anyway. Thus, the cost of every successful outcome is four times what the nominal cost initially suggests.

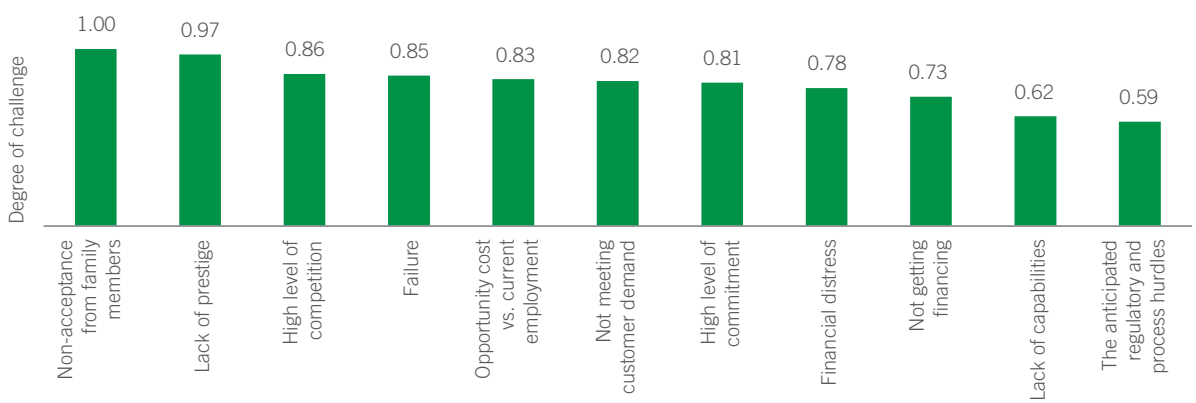
A recent survey in MENA confirmed that individuals are reluctant to become entrepreneurs if they have other options.[60] Regulatory hurdles were among the factors of least concern to *potential* entrepreneurs (figure 4.7). This is probably because they suspect that they can avoid the scrutiny of the authorities by virtue of their size or that they can operate in the informal economy. As educated job seekers are prime candidates for entrepreneurial activities, lack of capabilities was indicated as one of the factors of least concern to them.

Lack of prestige, prospects for public sector employment and more generally social factors, and an uneven playing field for the private sector are greater obstacles to entrepreneurship than lack of skills.

Lack of access to finance and financial distress were ranked third and fourth among the less important constraints. This is not unexpected given the assumption that those who have managed to become more educated do not face much inequality in opportunities. These constraints were followed by the "high commitment" required, which is natural (as it is better to have a regular job especially in the public sector) and comes close to another constraint: the "opportunity cost compared to current employment". Respondents also ranked high level of competition as a strong constraint, which is indicative of the fierce competition that applies

Figure 4.7: Many are able to become entrepreneurs but do not do so for other reasons

Index of pre-launch challenges for entrepreneurs, MENA 2011



Source: Youssef, Zein and Soueid (2011).

to most product markets in the Arab world, except in the larger countries that have established monopolistic powers (usually under government licensing). For example, in Lebanon a study of more than 300 detailed product markets revealed that only three companies controlled two thirds of sales.[61]

Interestingly, the top two challenges, and by a considerable margin, had little to do with economics and capabilities: entrepreneurship is not accepted by family members and does not have prestige. This reinforces the hypothesis that social forces are yet another factor in determining economic outcomes in the Arab region and need to be better understood.

Gender parity: almost there but not quite

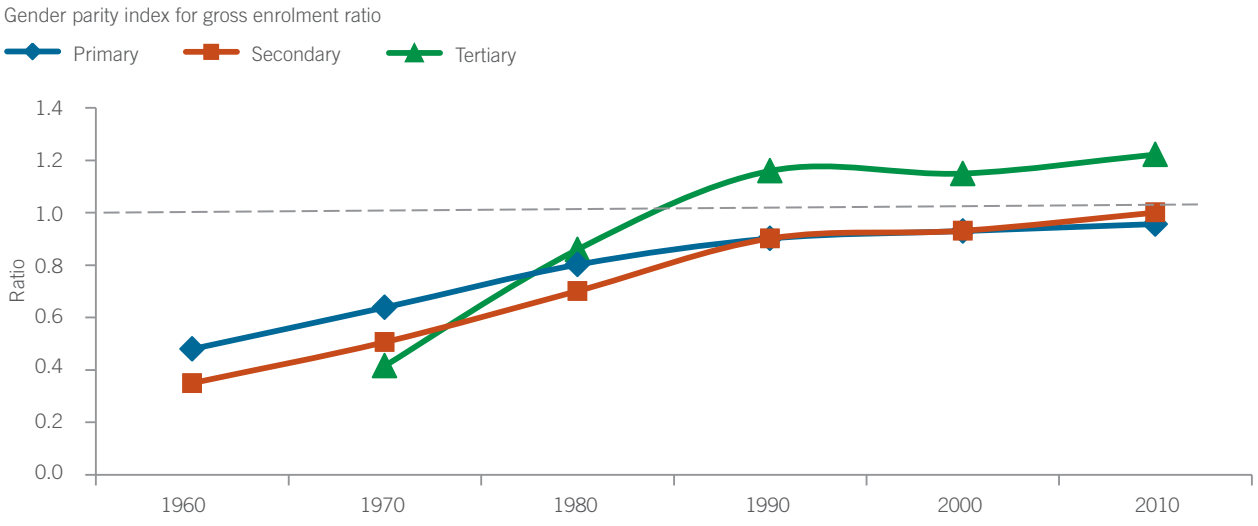
Girls and women have benefited most from the expansion of education in the Arab states (fi gure 4.8), which is only to be expected since in some states in the region they had the lowest rates in the world. From a value of female/male enrolments of 40-50 per cent at all levels of education in the 1960s, female-to-male enrolments have now almost reached parity at primary and secondary levels with a few exceptions, such as Morocco and Yemen. Furthermore, women have a higher enrolment rate in tertiary education than men in most countries, with the female share reaching nearly more than two-thirds in some GCC states, such as Kuwait and Qatar.[62]

While it is well known that more Arab men pursue university and postgraduate education abroad than Arab women, this only explains a small fraction of the wide gender gap observed in higher education in favour of women, especially in the GCC.[63] In fact it is argued below that the difference in the GCC states arises mainly from employment expectations. Male attrition at the secondary level of education can be explained by the ability to secure a guaranteed job in the public sector. For the GCC (as well as for the other Arab subregions), institutional factors that are less permissive of women's employment in the private sector, are relevant explanations for the relatively high female enrolments.

Thus both in the GCC and other subregions, Arab girls and women have invested in their education. This does not mean, however, that they have been similarly successful in the labour market. As argued earlier, more education and skills does not necessarily imply more and better employment, though it does help the educated individuals to get ahead of others. This is a zero-sum game unless the demand for labour increases.

Female enrolment in secondary and university education in most Arab countries now exceeds male enrolment but falls short at the primary level in some Arab countries. This is where public education can have its greatest impact on reducing social and gender inequalities.

Figure 4.8: Female to male ratio of enrolments by education level, 1960-2010



Sources: World Bank (2008a) and UNESCO Institute of Statistics Database (UIS).

The increase in female education has implications from a decent work perspective. On the one hand, it implies that the relative supply of educated job seekers is increasing and this narrows the wage differential (premium) between more educated and less educated job seekers. Thus, unintentionally, women's increasing education and labour supply can hold back increases in real wages, not just for educated workers, but for all workers.

On the other hand, more young educated women are likely to be more productive than the average worker already in the labour force. Thus, *if they find employment*, this can raise the general level of productivity in the economy and more decent jobs may be created in the economy at large. Otherwise, they will most likely refrain from work (as their current very low rates of labour force participation suggest). The issue of labour demand and the performance of the macro economy are again relevant here.

The case of the GCC

This chapter started with a comparison between the educational performance of students and the desire to emigrate or the availability of acceptable employment. When such employment is more or less guaranteed and the conditions are decent, the incentive to invest in education declines, even where education is free and attracts a scholarship as in the case of many GCC countries.

The situation in other Arab countries is different from that in the GCC states. In those other countries, the incentive to find a job in the public sector induces prospective job seekers to invest in education, though in many cases in the form of credentialism. In most GCC states the policy of employing almost all nationals in the public sector has the opposite effect. It has led to underinvestment in male education and skills by nationals as the reserved jobs are seen as an entitlement based on citizenship rather than effort and merit. For women, however, getting an education is in many cases a route to greater independence.

On the labour demand side, by policy design, employers in GCC states have practically unlimited access to low-wage workers from abroad and mainly use temporary contracted workers. This practice was understandable after the first oil boom in the 1970s, as the economy grew far too quickly to be served by the local supply of labour, both in terms of quantity and skills. However, with the exception of some high-level skills in the most technologically advanced sectors such as oil and gas production, aluminium smelters and so on, continuing this practice impedes national employment creation in the long run. It is, however, supported by employers as a move away from migrant workers would result in higher labour costs in the short run.

Private sector employers in the GCC economies tend to be unwilling to offer training.[64] Employers have access to a virtually unlimited pool of workers with diverse skills from low-income countries.[65] *Publicly provided and financed* training is not in short supply, either. There are many flagship initiatives, often with international companies or training authorities from countries that have sophisticated training schemes (such as Australia, Canada, Germany, the United Kingdom and the United States). However, the take-up rate of training and vocational education by nationals is low, and relatively few of those who do enrol in such programmes complete the full course of training. TVET in the GCC averages 2 per cent of all enrolments in general secondary education.[66]

Concluding remarks

There is no question that the scholastic outcomes of Arab students and the qualifications of prospective job seekers could be improved, and by a great deal. Surely more and better education is preferred to less and lower quality education, and higher skills are preferred to lower and few skills. And the Arab states have made some of the fastest gains globally in education and human development indicators over the last four to five decades.[67]

This chapter tackled a different issue: whether the Arab states, in their majority, are constrained by failures in the education and training system. This is not a theoretical issue. In the presence of high unemployment, and especially educated unemployment among the youth, the possibility that education is of low quality or irrelevant to the labour market has to be seriously considered. Both are policy measures than can be addressed through improved educational content and methods as well as better links with the private sector.

One hypothesis is therefore that job seekers are unemployable. An alternative hypothesis is that employers are not prepared to pay for more education and skills. In other words, employers may be content with the low productivity of workers and paying them low wages.

The evidence in this chapter suggests that the most important factor is that there is no demand for skills: if anything, there is an oversupply *in the labour market* of educated jobseekers. The emphasis on the *labour market* is needed because education has many merits outside the labour market, and merits are rarely in oversupply.

This oversupply can be inferred from a series of labour market indicators.[68] First, if there were a scarcity of educated jobseekers, those youth who actually possess higher levels of education should face lower unemployment rates.

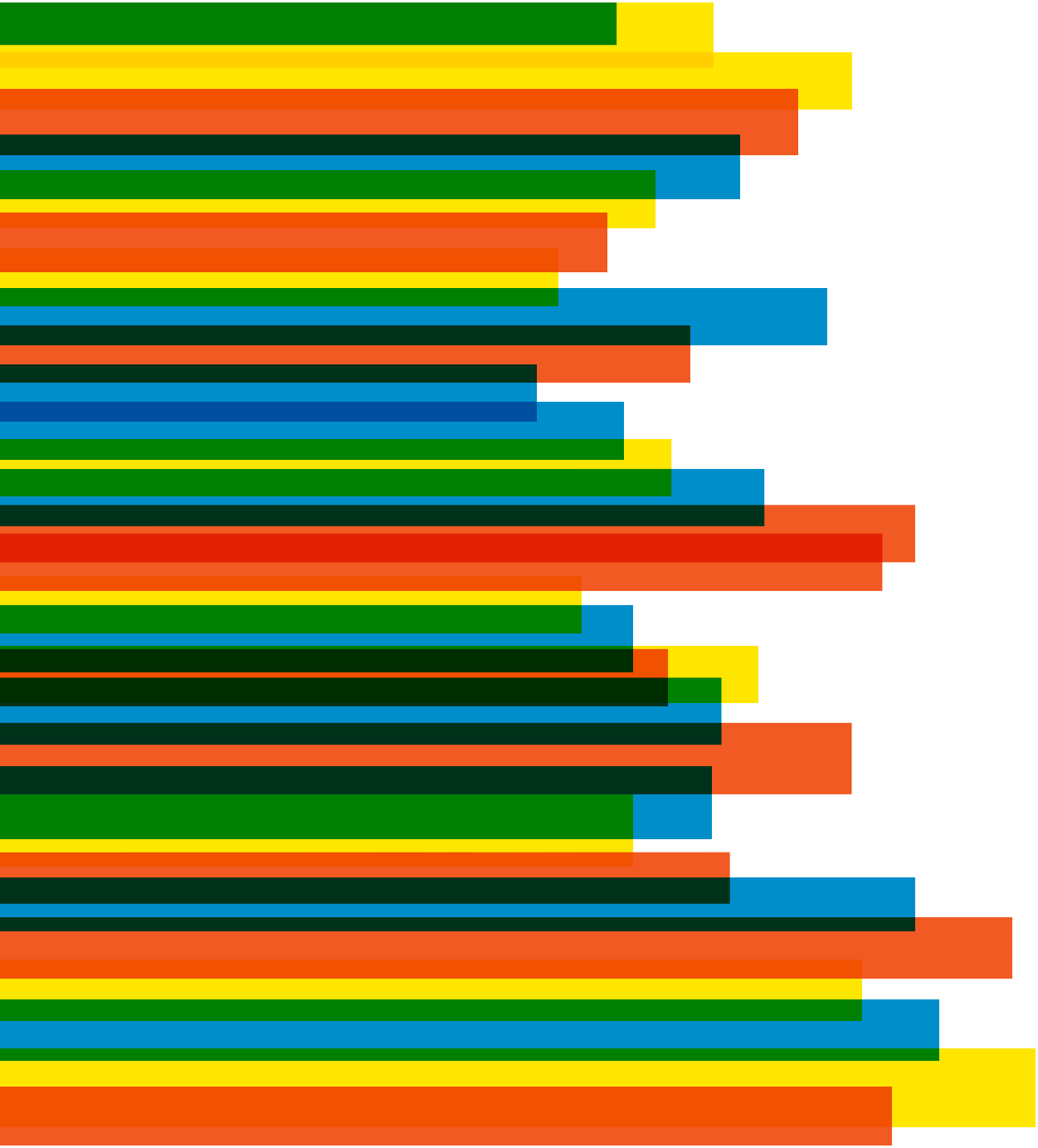
However, in many regional economies the unemployment rates of educated youth are as high, and in some countries higher, than those of the less educated.

Second, the wages of educated workers in the region are not much higher than those of the less educated, compared to the education wage premium seen in other regions.[69] This indicates that labour demand in the region is not enthusiastic about more educated workers.[70] This may be a reflection of ills outside the education system, such as lack of competition in the private sector, use of low-wage/labour-intensive techniques, the dominant position of the public sector in the labour market or migration policies.

Third, the Arab region has one of the highest rates of educated and skilled emigration – including to high-income countries that have sophisticated production and requirements for skills. Combined with the previous two observations on educated unemployment and low rates of return on education, this implies that the youth may well have qualifications to work and be productive but there is no work available in their own countries matching their aspirations.

The conclusions of this chapter run counter to the argument that, if job seekers had the right skills, they would find jobs. This thinking fails to take into account the fact that employability and employment are different things. The total number of jobs in an economy is primarily driven by the aggregate demand for labour. The employment envelope depends on macro, industrial, trade and financial policies and on the investment climate and business environment that result from them. In turn, the types of jobs are determined by employers, who choose production techniques and the skill mix of their workforce according to wage differences between different types of workers.

All this points to the need for policy to pay more attention to the labour demand side, that is, to the creation of jobs, rather than the current availability of skills. Labour policies can certainly have an effect but only at the margin, as the overall employment level is set by the broader economic and development policies, including migration. However, an area that needs to receive more attention is inequality in education. This will not only have an impact on productivity but also on inequality in wages and incomes and the sense of fairness among citizens.



Chapter 5: Social protection

Chapter 5
Social protection

Introduction

The message from the global economic and financial crisis of 2008 about the twin value of social protection for providing income security to the vulnerable and preserving social cohesion in periods of crises was reinforced in the Arab region following the uprisings. Most Arab countries have introduced or expanded their social protection measures since 2010, including those countries that were not visibly affected by the uprisings.

The value of a well-functioning social protection system is now universally recognized. When properly designed, social protection can also act as an automatic stabilizer in times of recession and crises. It can preserve and promote human development and thus contribute to productivity gains in the economy and higher welfare among citizens. Social insurance, along with social dialogue, can contribute to industrial peace in the labour market and, with broader social protection measures, avoid unrest in the society by reducing anger and promoting dignity and social justice. Countries that have strong and fair social protection systems have a valuable in-built mechanism to stabilize their economies.[71]

A new generation of social protection initiatives should form the basis for developing comprehensive systems based on entitlements rather than the welfare approach provided by the old social contract. Attaching a part of social protection to public sector employment resulted in another widely cited undesirable effect: high unemployment among the young, especially the more educated, has been attributed, at least in some significant part, to voluntary "queuing' by jobseekers for a job in the public sector instead of accepting work in the private sector because of the differences in pay, employment and benefits between the two sectors.

Social protection should not therefore be seen as independent of employment policies. The importance of policy coherence between social protection, active labour market policies and employment creation is indisputable, especially when the responsibility for employment creation is to be shifted more to the private sector. These policy areas should be treated as inseparable, interrelated and mutually supportive, along with the other components of decent work.

The case for adjusting social protection in the Arab region became evident in the 1990s. The increasing expenditures on social protection, as well as the fiscal burden of sizeable public employment, led many countries to adopt reforms that assigned a greater role to the private sector. Additional changes were introduced after the global financial crisis of 2008 and more recently after the post-2010 developments.[72] This chapter describes the current state of social protection in the Arab region and examines ways of creating adequate and sustainable systems.

Social protection: limited coverage

Despite the long tradition of solidarity, effective social security coverage in the region remains low as most social insurance systems cater only for public and private sector workers with regular contracts. Other categories of workers are excluded from legal social security coverage. High rates of informality, low female labour market participation and high levels of unemployment further contribute to the effectively low coverage. When broader schemes were available, such as various subsidies, they were often poorly targeted and required substantial budgetary resources. Thus, informal mechanisms for the majority of the population dominated (figure 5.1).

Formal social protection schemes in the region therefore face a great challenge in terms of expanding coverage. In a comparative context, coverage of informal wage workers by various components of social protection in the Arab region is generally the lowest in the world (figure 5.2).

Pensions: only for the formal sector, still fiscally unsustainable

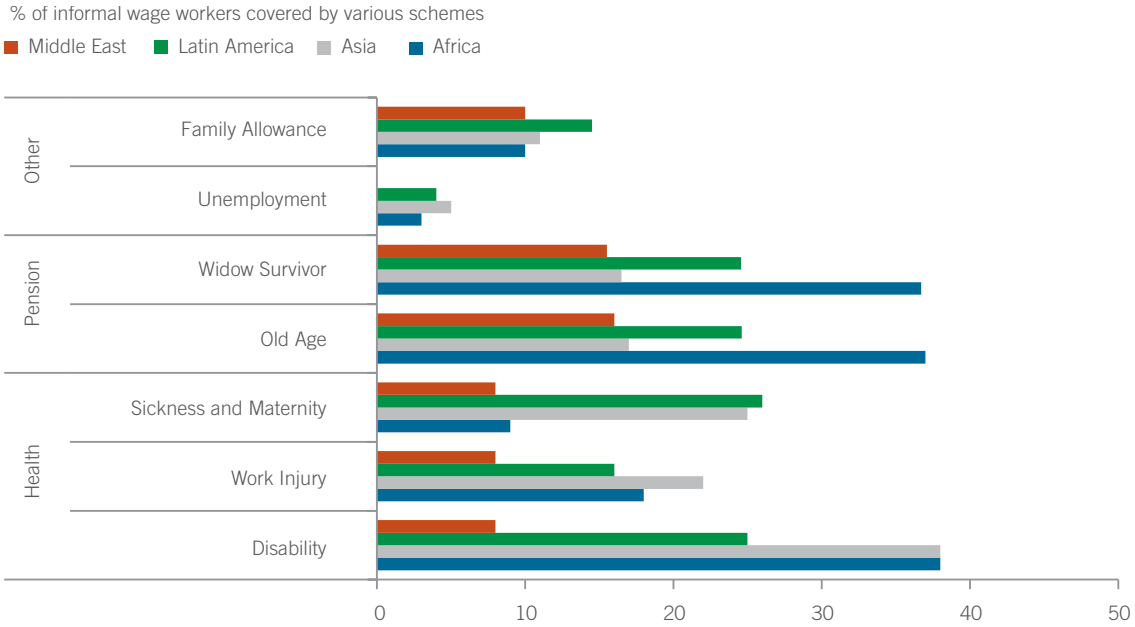
Countries in the region have mandatory pension schemes but for a small group of workers. For example, pensions in the Arab region cover only one third of workers and are as low as 8 per cent in Yemen.[73] The coverage of the schemes is typically limited to those working in the public sector (for example, civil servants, teachers, judges, military and security personnel) and usually, but not always, those working in the formal private sector with regular contracts. This leaves out many categories of workers, such as temporary or casual workers, informal workers, agricultural workers, domestic workers, migrant workers and large segments of the self-employed.

Figure 5.1: Schematic structure of social protection

<table>
<tr><th colspan="3">FORMAL SOCIAL PROTECTION:
Unemployment, Family, Maternity, Health, Sickness, Injury, Invalidity, Old-age, Survivors' and Employment Benefits</th><th colspan="4">No Formal Protection</th></tr>
<tr><td rowspan="2">Public Sector Employees</td><td colspan="2">Private Sector</td><td rowspan="2">Children</td><td rowspan="2">Self-Employment and Informal Economy</td><td rowspan="2">Working Age Non-Employed</td><td rowspan="2">Elderly</td></tr>
<tr><td>Formal</td><td>Informal</td></tr>
</table>

Note: The non-shaded boxes on the left refer to the focus of policies in the Arab region.

Figure 5.2: Although composed predominantly of middle-income countries, social protection coverage is limited in the Arab region



Source: IILS (2009).

In line with the social contract and given the demographic buoyancy of the past with the large numbers of young contributors and few pensioners, regional pension schemes provided rather generous retirement conditions and benefit levels. Both proved unsustainable over time. Pension finances were deteriorating with the increase in the system dependency ratios (the ratio of pensioners to contributors) while an increase in the old age dependency ratio (the ratio of old to working age persons) was already under way. Reserves accumulated during the early years of the system were depleted, aided also by under-reporting of wages and the evasion of contributions. In Algeria pension funds were depleted fast and surpluses turned into deficits as early as 1994.

The parameters of pension schemes were set too high and were no longer viable. For example, the benefit formula for the pension level was set at 70 to 80 per cent of the pensioner's salary at the end of his/her career in several countries. The average vesting period (years required to qualify for benefits) was 13 years in the Arab region in the 1990s, compared to 18 years in OECD countries and 25 in Eastern Europe.[74] The statutory retirement age was particularly low for women in the main schemes of Algeria and Jordan. In some GCC countries public sector employees still retire on average at the age of 41 or 42 years. Many countries provide early retirement under very generous conditions, with the consequence that, for example, in Jordan, 80 per cent of all new pensions awarded in 2011 were early retirement pensions.

Reserves were inappropriately managed. They dominated local capital markets offering low returns that in some cases were even negative over long periods of time (for example, in Tunisia, Egypt and Yemen). This was largely due to the use of pension reserves to subsidize other government priorities. For example, in Algeria they financed labour market and

other social assistance programmes, while in Tunisia they were used for social housing until 1992.

Pension funds offered old age security to a few at a rather generous level but created labour market distortions for ordinary workers. Payroll contributions for pensions and other programmes were set at fairly high levels, compared to international benchmarks, in order to counter the increasing deficits. Payroll contributions for pensions as a share of total labour costs reached more than 23 per cent in Egypt while in some Arab countries they were as high as 36 per cent. High payroll contribution rates in poorly designed systems impose large implicit taxation on labour force participation or provide incentives for workers to resort to the informal sectors.

A final point relates to restriction of mobility of workers between jobs in different sectors when pension schemes are segmented. When there is no portability of pension rights across sectors, those in sectors that offer better pension benefits are likely to resist moving to a job that offers lower benefits. For example, a civil servant may be reluctant to shift to the private sector, if the defined benefit rights that have been accumulated during his or her career are lost or devalued upon changing employment.

Given the limited coverage and sustainability of pensions at present, extending coverage is a major challenge confronting the Arab region. This challenge will become greater as the population of the region is aging fast. The demographic transition is not yet complete and the number of elderly is expected to grow annually at a rate of 4.3 per cent until 2050, while the rest of the population is expected to grow by just 1 per cent per year (see chapter 6).

Adopting sound and fair criteria for extending pension coverage will be critical. Policies should reduce the duality in the labour market between the public sector and some privileged segments of the private sector that enjoy a relatively high level of social security while the majority of the population is only partially covered or not covered at all, as is the case in the upper middle-income country of Lebanon and the conflict-ridden occupied Palestinian territory.

An additional form of pensions Arab countries should consider is non-contributory pensions (alternatively called "social pensions" or "demogrants"). These are cash payments to people reaching statutory retirement age who can satisfy additional criteria (such as no income or assets, not being employed or receiving another pension). Social pensions can play a critical role in providing a modest but reliable income in old age (or in the case of disability). They are usually considered part of social assistance programmes. The Egyptian system has provisions that resemble a social pension based on minimal contributions from those not covered by any other social insurance scheme.

Low pension coverage can be increased through the introduction of social pensions, that is, relatively small income transfers to elderly persons living in poverty.

A cautionary note comes from the impact of the global financial crisis in 2008 on pension funds and private pension funds in particular. The massive losses these funds incurred left many of their contributors nearing retirement age with low incomes during old age. The lessons from the financial crisis regarding the role of private sector involvement in the area of social security cannot be ignored and might serve as a warning for those Arab countries that are steering their systems towards more privatization and individual savings accounts instead of pulling the risks across the labour force.

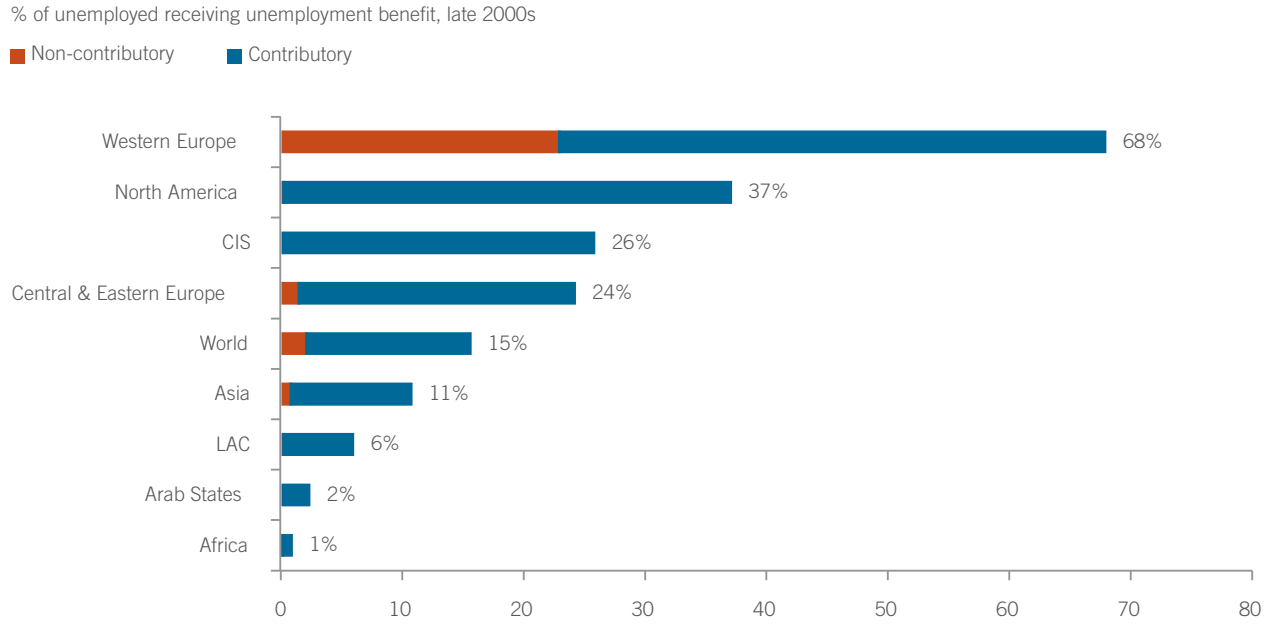
Unemployment insurance: limited but expanding

Unemployment protection schemes act as automatic stabilizers for the economy as they have a direct countercyclical effect when unemployment rises in times of economic distress. International experience shows that automatic stabilizers tend to be more effective than discretionary increases of fiscal expenditure during economic downturns.[75] The combination of temporary unemployment benefits with measures that aim to quickly reintegrate jobseekers into the labour market through job placement and training services can prevent jobseekers from slipping into informal employment while helping them to maintain some minimum level of income.

Few Arab states offered unemployment benefits before the Arab Spring and coverage was extremely limited (figure 5.3). Since 2010 unemployment benefits in various forms exist or are planned in ten or so Arab states (see below table 5.1). However, in general terms most fail to meet the two objectives of typical unemployment protection schemes, that is, insurance against the risk of workers losing their jobs or social assistance based on an income test. Insurance systems tend to be contributory while assistance schemes are funded by general revenues.

In some cases the design of unemployment support schemes is very restrictive. For example, in Algeria fewer than 20 per cent of dismissed workers can apply for unemployment benefits because of the strict criteria.

Figure 5.3: Before the financial crisis, few Arab countries provided unemployment benefits



Source: ILO Social Security Inquiry Database.

While the unemployment scheme in Bahrain combines the function both of insurance and assistance, the systems in the other three GCC states (Kuwait, Oman and Saudi Arabia) are mainly of social assistance type though they do not require an income or an "employment" test (that is, eligibility depends on "not having a job" rather than "having a job and lost it"). Thus they can be paid to first time job seekers some of whom may never subsequently work. On the other hand, the unemployment insurance scheme Jordan introduced in 2011 relies on individual savings accounts.

Unemployment protection programmes should satisfy three elements. First, they should have a contributory component aiming to provide meaningful coverage of the employed population, and be based on adequate and equitable financing mechanisms. Second, they need to have close linkages with employment services to facilitate reinsertion into employment. And, third, there should be appropriate mechanisms in place to provide a basic level of social protection to groups of unemployed who are not covered by contributory social insurance programmes.

Unemployment benefits are increasingly used in the Arab region but entitlement to them should be based on clear social insurance or social assistance criteria.

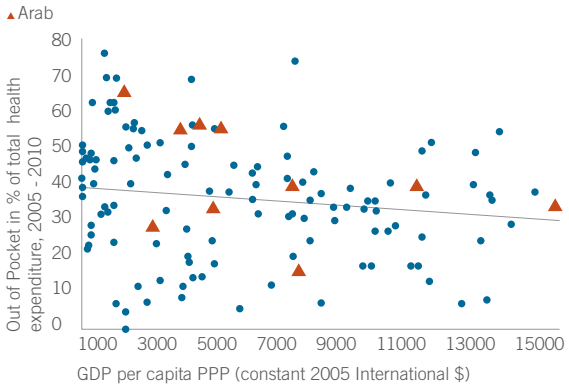
Health care: uneven with high out-of-pocket expenses

The GCC economies have markedly increased their per capita health spending over time and have facilities offering health care of international standards. For many other Arab countries, however, growth in real health public expenditure has not been commensurate with the high levels of economic growth achieved in recent years. In fact, there have been declining shares of public health expenditures as a proportion of GDP in parts of the region. The quality of health care varies greatly between countries in the region, and within countries.

Low-income countries face the greatest challenges in providing adequate health care services for their population. However, even in middle-income countries there are concerns that certain basic health care services remain inaccessible to some groups of the population due to high out-of-pocket expenditures in the form of user fees.

In some Arab countries, such as Egypt, Lebanon, Sudan, Syria and Yemen, more than half of total health expenditure is covered from out-of-pocket payments (figure 5.4).[76] Uneven geographical coverage reduces access to health services, especially in rural areas. On average, public health insurance covers only around one-third of the population.

Figure 5.4: Out-of-pocket health expenditure in total health expenditure in Arab countries 2005-2010



Source: Karshenas and Alami (2011).

In the area of health, existing deficiencies are likely to be exacerbated, not only by the recent uprisings in the countries that have experienced them (see text box 5.1), but also by an increasing reliance on the private sector that is generally only accessible by the non-poor. Providing health care for the working poor and the vulnerable population should be a top priority: most workers in micro, small and medium private enterprises have no public or private insurance.

The demand for health care is likely to increase significantly, directly from injuries and deaths resulting from the uprisings and because of an ageing population.

Health care that is based more on national health systems than private systems are generally less costly and deliver better social outcomes. While increasing incomes over time results in higher demand for more and better health care services, also in the Arab countries, the multiple role of public health for the working poor and the population at large in preserving and developing the human capital of the economy, increasing productivity and reducing pressures for higher monetary wages cannot be overstated.

Maternity: mainly for the public sector and costly for the private sector

An important development in practically all Arab countries has been the marked increase in the female labour force participation rate. The average country labour force participation rate in the Arab region rose from 12.5 per cent in 1990 to 27.8 per cent in 2010, an increase of nearly 30 per cent. This brings the issue of maternity protection to the fore as, universally, many of the observed differences in labour market outcomes between women and men derive from the gender division of labour in the two main functions of any society, that is, production and reproduction. Work must be compatible with maternity if women are to work, especially in the formal sector.

Most Arab women working in the open labour market are therefore mainly employed in the public sector. This phenomenon is not specific to the Arab region: even in the European Union women make up nearly 70 per cent of employment in the broader public sector and services affiliated with it (although even in Europe there are still fewer working women than working men).[77] Employment in the private sector seems to be universally less attractive on average than that in the public sector. Leaving aside other differences in employment conditions between the public and private sectors, in areas such as pay, hours and intensity of work, another important one is the almost universal, relatively generous maternity benefits available for women in the public sector, including in the Arab region.

While most Arab states in North Africa have included maternity provisions in their social security schemes, most countries in the Middle East provide in their Labour Codes under employers' liability for the payment of the salary of a female worker during the maternity leave period, as is the case in Bahrain, Saudi Arabia and Yemen. Jordan was in this category until it introduced a maternity insurance scheme under its reformed social security system in 2011.

The customary role of women at home reduces their attachment to the labour force, a fact that leads employers to practise "statistical discrimination". Although many women are equally committed to work and as productive as men, prospective employers typically do not realise this. In addition to the unpredictability as to when a female worker may interrupt her work for child-bearing purposes, employers may need to find temporary replacements during a female worker's short-term absence from work. This can be particularly demanding, especially for the smaller size companies that dominate the private sector in the Arab region.

There is a universal move to bring cash maternity benefit during the maternity leave period under the provisions of formal social security. This spreads the maternity "risk" across the labour market in various proportions between employers, workers and the government. Thus the cost of maternity is "socialized" and is no longer a *direct* cost to individual employers. This approach should be followed in the Arab states as it removes some of the considerations for not employing women in the private sector, reduces

Text box 5.1: The Arab Spring: implications for population health in MENA

Political changes brought about by the recent uprisings in the Middle East and North Africa (MENA) have affected almost all countries of the region, and created a sense of optimism and hope for meaningful social and economic reform. While most attention thus far has focused on the security and political implications of these changes, they also imply significant consequences for population health and social protection.

Many MENA countries face significant short-term health vulnerabilities as a result of the uprisings. First and foremost, these include the deaths and injuries arising from the uprisings themselves. Population displacement is a growing problem. Syria has been the worst affected. By September 2012, nearly 300,000 had reportedly entered the neighbouring countries of Jordan, Lebanon and Turkey, with over one million internally displaced. The UNHCR estimate that 450,000 Syrians may flee the country by the end of the year.

A major short-term risk is damage to public health systems. Although outright collapse of these systems is unlikely in those countries that have remained stable, it is more likely in Libya and Syria. Available evidence from Iraq on the consequences of such service degradation on population health is not encouraging.

MENA countries remain subject to a variety of long-term health vulnerabilities, many of which were apparent before the uprisings but have been thrown into stark relief by them. High levels of unemployment are endemic across the region, especially among young people. This is exacerbated by the unequal status of women, who suffer from high rates of illiteracy and low levels of political and economic participation, despite often playing a leading role in the uprisings. Over the past few years, these challenges have been compounded by rapid food price rises that have placed considerable pressure on household incomes when many MENA countries rely heavily on food imports. Unfortunately, many countries are poorly positioned to respond because of long-standing neglect of welfare systems that could protect their populations from the impacts of disruptive economic change as a result of political transition. To these challenges may be added the long-term legacy of the current violence - the toll of which remains unclear.

Levels of total health care expenditure across the region have in some cases been comparable to that of high income countries, yet returns on health investment have in reality been highly variable. Indeed this has masked the limited reform programmes and lack of sustained government investment in health and health care. MENA countries generally possess low levels of direct government health spending, low rates of coverage, and are accustomed to high out-of-pocket expenditure.

These vulnerable health systems have arisen over the last 20 years in a context of accelerated transitions to market economies driven by uncritical reductions in public social spending and privatization without accompanying social protection mechanisms. The focus in health care has been on technological advance rather than public health prevention, governance reform and the inclusion of health as an important aspect of human security.

MENA governments face considerable challenges in responding appropriately to these vulnerabilities at a time of ongoing change. Research evidence from major social and political transitions elsewhere (including Eastern Europe since 1989) suggests that priority areas to be considered by Arab governments should include:

1. Ensuring adequate resources are put into public health system development, at a time when there are many competing spending priorities.
2. Guarding against rapid socio-economic change in the interests of radical reform.
3. Tackling vested interests that may seek to co-opt transitions in order to advance neo-liberal reforms in a sector whose nature as public good is dominant.
4. Increasing transparency and monitoring through stronger surveillance systems.

Sources: Based on Coutts, et al (forthcoming) and UNHCR (2012).

The costs of maternity benefits in most Arab countries are borne by formal sector employers but should follow the universal move to be funded by social security and cover all women.

the duality between employment in the public sector and the private sector, enhances women's employment opportunities, contributes to economic growth and raises income security for women and their families.

Social assistance: fragmented and poorly targeted

All countries in the region offer some kind of social assistance programme (income support and other transfer programmes). Traditionally, social assistance programmes in Arab countries have tended to focus on specific groups of the population deemed to be in particular need of support, such as female headed households or persons with disabilities. Some of these programmes are provided directly by the government or semi-autonomous institutions, for example, social funds. In addition, many social assistance programmes are run by non-governmental organizations.

Other measures include public works programmes that are typically related to agricultural, water, infrastructure and environmental activities targeting poor areas and households. There are several social funds in the region that offer employment to individuals and communities through public works, for example, in Morocco and Yemen. Other examples include land reclamation in Egypt and agricultural infrastructure projects in Iraq and occupied Palestinian territory.[78] More recently, similar programmes are being planned in the northern parts of Yemen to rehabilitate community infrastructure damaged by the prolonged conflict. In Syria there have been projects to promote drought recovery and in Tunisia to undertake community tasks.

A main avenue through which social assistance has been delivered in many Arab countries is food and fuel subsidies. Specifically for food subsidies, apart from being intuitively appealing, they have been considered a first line of defence against poverty in a region that has significant shortage of water and dependence on food imports. (see text box 5.2) Lower-income Arab countries and low-income families are undoubtedly the most vulnerable to price hikes in times of food and fuel shortages. The Self Sufficiency Ratio (SSR: the ratio of local production to total domestic supply) for the region is 53 per cent for cereals, 28 per cent for vegetable oils and 33 per cent for sugar. These three products provide the bulk of the daily caloric food supply for the vast majority of Arab populations, particularly the poor. However, the region is close to self-sufficiency in meat and fruit, which are usually consumed by the better off.

The way food subsidies have been designed and implemented has come under repeated criticism for being untargeted, wasteful and expensive. While prominent during the peak of the social contract period, the ever-increasing fiscal costs of food subsidies has led countries in the region to reduce, replace or eliminate them at various times since the 1990s – for example, in Algeria, Yemen, Jordan, Egypt, Tunisia and Morocco. These policies to eliminate subsidies and reduce budgetary costs were not accompanied by the development of alternative social assistance programmes, and large portions of the population risk falling into poverty as a result of rising food prices in recent periods. However, food subsidies in various forms were reintroduced or expanded in many Arab countries after 2010 (see table 5.1).

Food subsidies can be better designed and implemented than they were in many cases in the past. They should focus on the type of food that is primarily consumed by the poor and that constitutes a large percentage of their expenditure. In this way, leakages to the non-poor are reduced along with the budgetary allocation for them.

When these criteria are satisfied, food subsidies can contribute to an increase in the social wage, i.e. what households can consume rather than what they earn in nominal terms. They can also be justified as a political imperative under the current political conditions, and economic conditions that are likely to deteriorate. As long as food prices stay high and their course in international markets remains unpredictable while other forms of social protection remain limited, food subsidies are one of the few functioning pillars of the old Arab social contract upon which popular support for regimes was critically based in the past.

The same applies to water subsidies, which are commonly justified on the grounds that the majority of those involved in agriculture are poor. However, the objective of a policy may differ from its actual results. For example, in Egypt 75 per cent of water subsidies reach the richest 50 per cent of households. While water subsidies aim to address some issues in terms of incomes, the Arab region is notable for its limited investment and improvement in irrigation and agricultural productivity. Even water-rich countries like Lebanon are experiencing shortages due to mismanagement of water resources. Population increase combined with overexploitation of water resources, especially groundwater, has resulted in a sharp drop in available water: at the regional level, total renewable water per capita decreased from 3,035 cubic meters in 1958-1962 to 973 cubic meters in 2003-2007, compared to a world average of about 7,000 cubic meters per capita.[79] This low level makes the Arab region the most water-scarce in the world.[80]

Food subsidies have been a major component of social assistance but served it poorly due to high costs and low effectiveness in terms of targeting and poverty reduction.

Text box 5.2: Agricultural and rural development and food security

In most Arab countries, opportunities for expanding agricultural and food production are limited by environmental constraints. Hence, food security strategies in the region generally recourse to food imports and subsidies. While not undermining the importance of current strategies, most have reached their limits due to both supply side limitations, including the potential impact of climate change on domestic and international production, and local fiscal constraints of applying universal subsidy schemes.

To address the food-security and employment challenges requires a comprehensive food systems approach based on modern adaptation measures for the local agricultural sector. A key recommendation is the need to move from a disaster management strategy to one that anticipates risks such as droughts and includes appropriate developmental interventions. From an employment perspective, the potential role of the Public Works Program, including in agriculture can be particularly helpful while it can also address vulnerability and poverty in rural communities. Such initiatives must be complemented with improvements in the targeting of subsidies and long-term investments in research and development to harness the abundant solar power and deliver water from the seas surrounding the Arab states.

Moreover, the analysis of food security should focus on the choices in terms of agricultural policies and rural development. It is through such coherent policies that countries' productive capacity can be mobilized and directed towards meeting the needs of those living in concerned areas. By restoring agriculture to its proper place/role within the economic and social development policies, Arab countries can insulate food security from fluctuations in the international markets. Of course, there are major differences in the role of agriculture and the production capacities from one country to another. These differences should be taken into account when devising country strategies but all agriculture and employment strategies should forcefully target food sovereignty.

To fully comprehend the employment-food security nexus, hence its potential for food security strategies as well as the employment challenges for the Arab region, many other issues must be addressed. While some of the conventional policy approaches are appropriate, they often fail to address the root causes of food insecurity. These include food regimes, food power relations, class biased policy processes and inequality in land and water distribution. Lack of collateral or even indebtedness among farmers adds an additional consideration. Food security analyses thus ignore vital indicators such as the number of landless farmers in the Arab World or the violence which some regimes are perpetuating to maintain control over resources. One cannot isolate economic conditions, whether at macro or micro levels, from the political context.

Adapted from:
Asif Niazi, Mohamed Aw Dahir and Irene Omondi (2012) Food Security in the Arab Economies. Background paper for this report by WFP/FAO; and comments by Mohamed Elloumi and Rami Zurayk.

Despite the enormity of food insecurity and water scarcity challenges and the strong nexus between poverty and poor management of natural resources, Arab governments have paid little attention to the environmental challenge and the deterioration of natural resources in the region. Sustainable use of environmental resources, including a move toward green jobs as a potential contributor to decent jobs and poverty alleviation, is perhaps one of the most serious long-term development challenges facing the Arab region.[81] When rising food prices are combined with climate change, systemic environmental degradation, dependency on imported food and conflict, the result is certain to be catastrophic.

Social assistance programmes in the region need to be better designed in order to avoid inclusion errors (paying benefits to those who do not deserve them) and exclusion errors (not paying benefits to those in need). They should also improve coordination between different programmes

Restoring agriculture to its proper role within food security and rural development policies can create of productive employment and reduce vulnerabilities.

in order to avoid duplication of support for some groups of the population, while others are hardly covered at all. Programmes should be anchored in legislation, with clear objectives and criteria, so as to guarantee that benefits are paid on the basis of need and right and are not paid on a discretionary basis. When legislated, funding for these programmes has to be provided on clear criteria and not decided on an *ad hoc basis* that can make them subject to short-term considerations by governments.

Several social assistance programmes in the Arab region are also funded by international agencies based both on developmental and humanitarian grounds. Like government

funding, international aid can also prove intermittent and at times serve the political considerations of donors. In this case, funding for social assistance faces a lack of both sustainability and predictability. Donors should make an effort to gear their assistance to national agendas.

Post-2010 changes: the need for comprehensive social protection

Following the Arab Spring, most Arab states introduced or expanded many social protection measures (table 5.1). This applies both to those that experienced uprisings as well as those that did not. There seems to be little difference between the groups of countries that are in principle able to fund the increase in social protection and those that are fiscally constrained in the first instance or have been hit by the recessionary effects that accompanied the Arab Spring.

Pensions in the GCC have been increased on average by more than 50 per cent. The increase in pensions outside the GCC was generally more modest, albeit still significant. For example, in Egypt minimum pensions increased by 15 per cent, in Algeria by 30 per cent though in Morocco the Government announced an increase in the minimum pension of almost 70 per cent for both the public and private sectors. Unemployment benefits were introduced or were expanded. Most GCC states as well as well as Algeria, Egypt, Morocco and Tunisia also increased their bills for food subsidies. Similar patterns apply to the case of cash assistance and other transfers, for example, allowances and bonuses.

The new social protection measures were introduced after 2010 in parallel to the labour market programs that related to public sector employment, wages, training and so on as discussed in Chapter 1 (see table 1.3). They came also on top of a plethora of social protection measures that were introduced or expanded following the fall out of the 2008 global financial crisis on the Arab states.[82]

Social protection should not be seen just as a short-term fiscal cost but also as any other form of public investment that is governed by long-term social benefit considerations.

The social protection measures introduced after 2010, and those previously adopted after 2008, came on top of existing structural problems. Many were *ad hoc* and are unlikely to

Table 5.1: Country responses to the Arab Spring by social protection measure

COUNTRIES	CHANGES IN OLD AGE PENSIONS	FOOD SUBSIDIES	UNEMPLOYMENT BENEFITS	CASH TRANSFERS
ALGERIA	x	x	*	
BAHRAIN	x	x	*	
EGYPT	x	x	x	x
IRAQ				x
JORDAN	x	x		x
KUWAIT		x	*	x
LIBYA				x
MOROCCO	x	x	x	
OMAN	x	x	*	x
QATAR	x			
SAUDI ARABIA			x	x
SYRIA			x	x
TUNISIA		x	x	x
UAE	x			x
YEMEN				x

** These countries had various forms of unemployment benefits prior to 2010*
Source: Authors' compilation from official publications and announcements and media reports.

improve the effectiveness and efficiency of social protection systems.[83] Furthermore, despite the efforts undertaken by governments in the region to reform social protection since the 1990s, most countries still do not have coherent national social security systems embedded in wider economic and social policies.

Arab countries have introduced or expanded many social protection programmes since 2010 but without addressing existing deficiencies and structural problems in their systems.

In moving forward, the Arab region can learn from the lessons of international experience with social protection reforms. Some are listed below in text box 5.3 with reference to some basic principles for creating an effective social protection system.

Concluding remarks

Social protection systems in the Arab region remain in need of strategic reform. The economic reforms in the Arab region since the 1990s were less successful at improving social protection than in employment creation. Social protection refoms were driven mainly by budgetary considerations and largely failed to meet the expectations of Arab citizens.

The long-standing structural problems in social protection were only partly addressed and only a few countries, such as Jordan, carried out substantial social security reforms focusing on the extension of social security coverage and revision of pension legislation. For example, pension reforms focused on cost containment through raising retirement ages, revising benefit formulas, and aligning eligibility conditions and benefit levels between public and private sector schemes. Some countries are contemplating moving away from defined benefit to defined contribution schemes and increasing the role of the private sector and financial markets in the pension area. This will pass the risks from the variable performance of capital markets to individuals, instead of amortizing it at societal level.

The delegation of some of the traditional responsibilities of the State to the private sector needs to be done with social criteria in mind and not just fiscal criteria. For example, giving the private sector a greater role in health services does not release the Government from its responsibility to provide universal basic care. While it is true that food subsidies were not used prudently, their removal should have been accompanied by effective compensatory measures for the poor and vulnerable. Reforms were initiated without due analysis of their probable impact on the real economy, the social sectors and, most importantly, on the majority of the people.

The global financial crisis in 2008 led to the adoption or expansion of some social protection measures on a reactive and *ad hoc* basis, rather than as part of a clear long-term vision. The post-2010 measures were also introduced hastily, this time more under political pressures. Under such conditions, there is little time to rationalize and prioritize. The situation becomes more challenging when there are no good socio-economic data, information on programme characteristics and outcomes is lacking and social dialogue is weak.

Looking forward, future reforms should not be part of a stand-alone social protection reform but should lead to a new social contract based on mutual responsibility. Policy coherence is important in order to avoid conflicts and foster complementarities that ensure that the total impact of development policies is greater than the sum of the effects of individual economic and social policies, such as active labour market policies and poverty reduction strategies. This is a key challenge for Arab countries: to build coherent national social security systems embedded in wider economic and social policies.

One of the critical intersections between employment and social policies in many Arab countries is the discrepancy in social security coverage between workers in the public and the private sector. Many Arab countries have relatively high rates of public employment, which in some countries is particularly pronounced among women. While some Arab governments have sought to reduce staffing levels in the public sector and to promote private sector employment, this strategy has been only partially successful, partly because public sector employment continues to be perceived as more attractive in terms of wages, job security and social benefits, especially among young women and men. More efforts are therefore needed to align social security coverage for workers in the public and private sectors which would positively support national efforts to promote private sector employment.

Recent regional analyses indicate that there is sufficient fiscal space in the non-GCC countries for some expenditure switching, particularly in the provision of public health and education.[84] Their findings suggest that the current levels of expenditure on social protection that benefit only a few can be reallocated to yield much more in terms of development payback. Thus, social protection should be seen in the same way as any other form of public investment that is governed by long-term cost and social benefit considerations. The opportunity cost of inaction should also be taken into

Text box 5.3: Principles underlying the social protection floor

Reforming and building effective, equitable and sustainable social protection systems should be based on a comprehensive review of the existing social security system, taking into account administrative and institutional capacities. It should follow a universal but progressive approach and must have social acceptability – an outcome best achieved through social dialogue. Some key principles on which social security extension policies should be based include:

- **Univeral coverage:** Universal coverage for all residents, if necessary through gradual implementation based on rational priority-setting in a social dialogue process.
- **Sustainability:** The fiscal, financial and economic sustainability and viability of any social protection scheme needs to be ensured in the long-term, the scope of basic guarantees being commensurate with available fiscal space.
- **Adequacy of benefits:** Adequacy of guaranteed benefit levels with clear focus on outcomes, including flexibility as to institutional arrangements (pluralism) and coherence and efficiency of the overall social security system.
- **Progressiveness:** Commitment to achieving higher levels of protection, towards ILO Social Security (Minimum Standards) Convention, 1952 (No. 102), and higher-level ILO standards, in line with economic and social development.
- **Transparent and responsible governance:** The State should remain the ultimate guarantor of social security rights, with the participation of contributors/financers in the governance of the scheme.
- **Rights-based approach:** The provision of benefits should be based on legal entitlements.
- **Focus on outcomes:** Progress to be assessed based on outcomes that should be subject to monitoring and evaluation in order to improve coordination between different programmes and ensure that resources are allocated effectively and fairly.

With these principles in mind, an effective social protection floor consists of a minimum set of social guarantees, providing:

- **All residents** with the necessary financial protection to afford and have access to a nationally defined set of essential health care services, in relation to which the State accepts general responsibility for ensuring the adequacy of the financing and delivery systems;
- **All children** with income security, at least at the level of the nationally defined poverty line level, through family/child benefits aimed at facilitating access to nutrition, education and care;
- **All those in active age groups** who are unable to earn sufficient income through employment with minimum income security through social assistance transfers aiming to achieve access to essential goods and services (e.g. through employment guarantee schemes);
- **All residents in old age or with disabilities** with income security at least at the level of the nationally defined poverty line through old age and disability pensions that guarantee access to essential goods and services.

Source: Based on the ILO's Recommendation (No. 202) 2012.

account. For example, not reducing child labour or not providing access to basic health care for children can lead to dynastic poverty traps, that is, the children of poor people grow up only to live in poverty themselves. In this respect, various such schemes that have been introduced in Latin America in the last couple of decades under the name of conditional cash transfers (CCTs) can have desirable and cost-effective impacts on education, child labour, health and welfare as measured in terms of household consumption.[85] While expenditure-switching can open up possibilities for expanding and improving social protection by reallocating resources from less well-used funds, it will certainly involve losers and, in this respect, social dialogue is an important process for arriving at socially desirable outcomes. This is particularly so with social insurance, that is financed by workers', employers' and often government contributions,

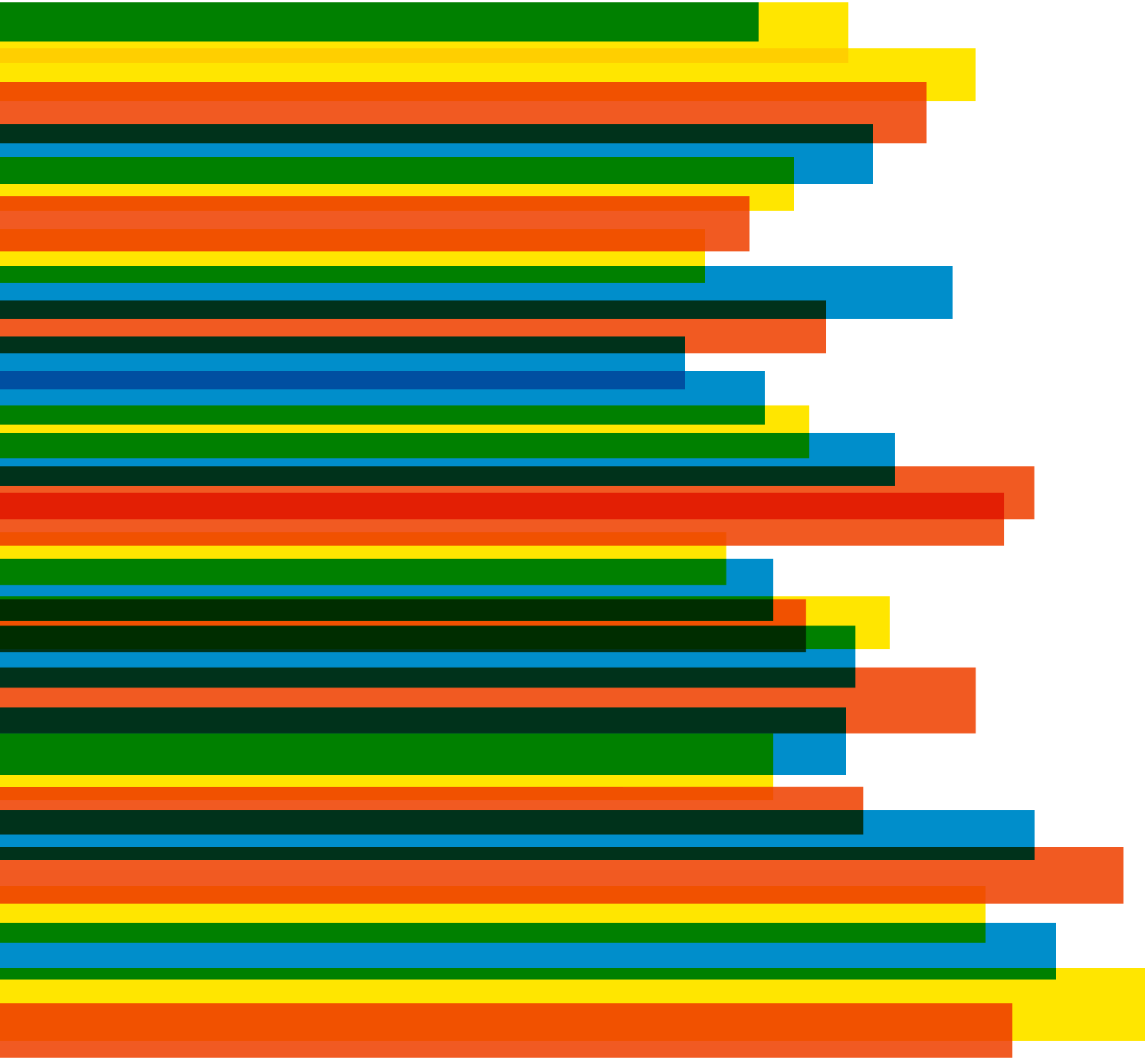
Realigning social protection would require expenditure switching and will involve winners and losers. Effective social protection and social dialogue can make reforms more acceptable to the public and, therefore, sustainable.

thereby requiring strong tripartite social dialogue for sound and equitable policy-making.

Good governance of the social protection system is also key, for ensuring the viability of social protection in the long run. It can ensure the proper use of funds for the objectives of a programme and thus reduce the ability of governments to divert funds to other visible or covert purposes. It can also increase trust and therefore compliance among the

contributors to social insurance schemes and, as such, decrease their resistance to participating in the system as they no longer consider their contributions to be a tax.

There are bound to be differences in the final shape social protection systems take in different Arab countries. These differences will reflect the diverse country characteristics that set the conditions under which employment and social protection systems have to operate. These conditions include the size, composition and regional characteristics of the country's population and workforce, as well as the level of resources available for redistribution ("fiscal space"). While the integrated solutions will have to be drawn up on a national basis, it is clear that the the Arab region cannot afford to go back to social protection systems they had in the past.



Chapter 6: Prospects and policy directions

Chapter 6
Prospects and policy directions

Summary

The earlier chapters essentially lead to two main conclusions. Frist, the orientation of economic policy matters not only for the quantity of employment, but also for its quality. Second, good governance and inclusiveness of growth are important for attaining political stability and sustainable economic growth.

Arab countries achieved economic growth the decade preceding the Arab Spring but this translated to low increases in per capita incomes and declining shares of wages and consumption in terms of GDP at the macro level. The evidence regarding changes in poverty and income inequality is mixed though in some cases both increased alongside economic growth (such as in the case of Egypt and Syria). Overall, economic growth was not inclusive.

A complex political economy of rent excluded the majority of the population from reaping growth benefits as a result of poor governance and selective access to economic opportunities via macroeconomic policies that favoured only a few. These policies included (a) fiscal structures that resulted in higher taxes for households than on the corporate sector, and on labour than on capital and wealth; (b) monetary policies that aimed at inflation control but also resulted in high interest rates and reduced credit extension to the broad segments of the private sector, including SMEs; (c) exchange rate policies that led to overvaluation of local currencies but benefited importers at the expense of domestic producers; (d) industrial policy that favoured rent seeking and created inefficient institutions thus preventing industrialization and structural transformation; and (e) privatization through underpricing of public assets that turned public monopolies into private monopolies.

Each of these policies contributed, to one degree or another, to shaping final labour market outcomes. These outcomes can be summarized as follows:

- The employment response to output growth by the private sector has been significant across all three Arab subregions in the last decade
- Many new jobs went to migrant workers as a result of migration policies that undermined *de facto* the rights of nationals to decent jobs while bypassed *de jure* labour standards for migrants
- Unemployment declined though not uniformly across the Arab subregions, youth and adults and between males and females
- The share of working poor at $2/day declined though and there is mixed evidence on the vulnerability of workers
- The situation is clearer is in the area of social protection: coverage of social insurance was largely restricted to public sector and formal private sector workers, measures that contributed to social protection were reduced or eliminated (such as various subsidies) and till 2010 unemployment insurance in the Arab region remained the lowest in the world, with the exception of sub-Saharan Africa.

These policies were adopted on the basis of "economic reforms first, political reforms later" and avoided institutional improvements in the areas of transparency and accountability that are necessary for the creation of a competitive and fair private sector. The post-2010 developments make the need for a different direction for public policy all the more pressing.

The next section discusses prospects for economic growth and the demographic trajectories. The discussion suggests that the road ahead will not be easy but there are still some promising policy options. The chapter concludes outlining some of these policies highlighting the need, first, for policy coherence at the macro level and the creation of effective social protection and, second, for improved social dialogue and specific employment measures that can lead to shared economic growth.

Low prospects and an ageing labour force

Since the post-2010 events, many Arab states have taken a double hit: lower economic growth rates and increased fiscal outlays. According to the latest projections, economic growth in the Arab region up to 2015 will be similar to that observed in the last decade or so: although high by regional standards, it will be the lowest of any world region except Latin America. North Africa is likely to have the lowest economic growth rates, at 3.8 per cent compared to 4.5 for the Middle East (Figure 6.1).

Economic growth must accelerate to provide jobs for the unemployed and an expanding labour force.

Table 6.1: In the future, the rate of growth of the number of the elderly will be 7 to 10 times faster than that for children

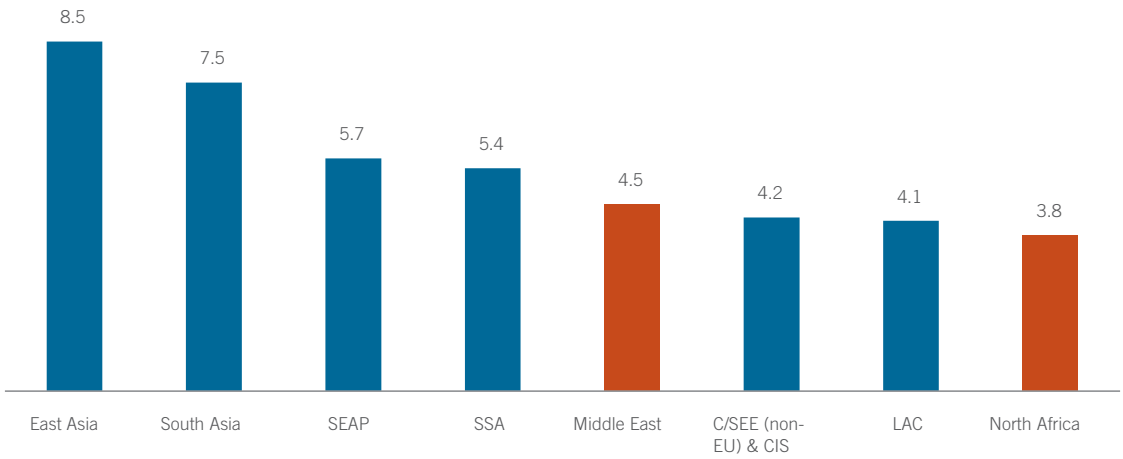
Population projections for Arab states

Number (,000)	Children	Youth	Working Age	Elderly	Total
2012	117,406	68,161	224,681	17,435	359,521
2030	130,397	82,399	315,882	37,592	483,871
2050	133,862	86,837	386,822	86,729	607,413
Annual Rate of Growth	**Children**	**Youth**	**Working Age**	**Elderly**	**Total**
2012-30	0.6	1.1	1.9	4.4	1.7
2012-50	0.3	0.6	1.4	4.3	1.4

Note: Estimates exclude sub-Saharan African states
Source: United Nations Population Division Database.

Figure 6.1: Future growth in the Arab region may be among the lowest of all world regions

Projected average annual GDP growth rates (%) by region, 2011 - 2015



Note: Middle East average include GCC
Source: IMF World Economic Outlook Databases (WEO).

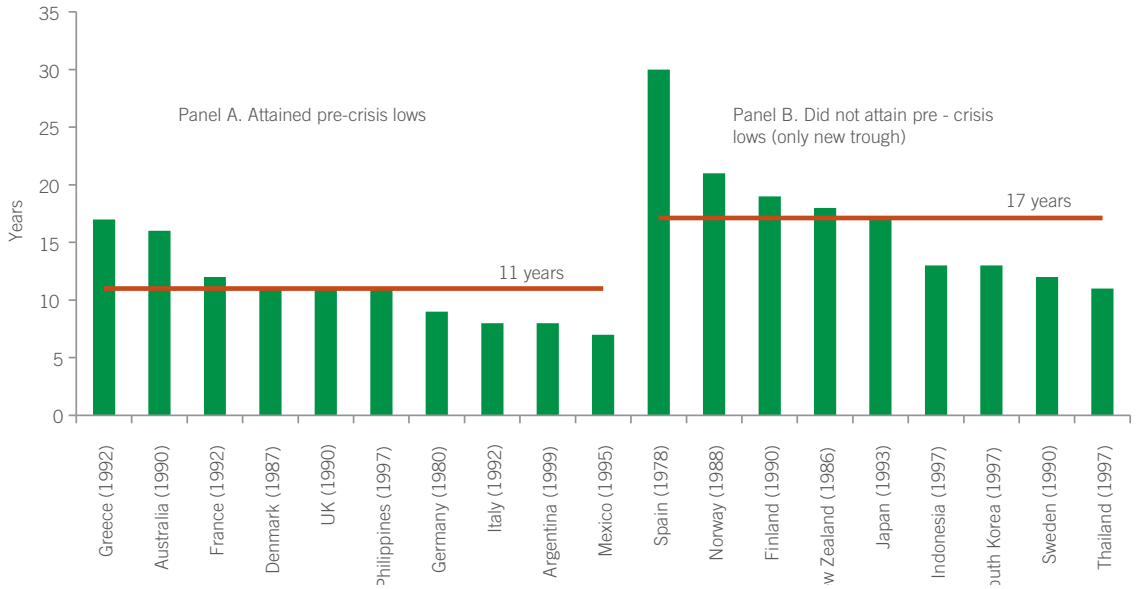
The population dynamics are likely to accentuate recent trends. The projected annual rates of growth up to 2050 are 1.4 per cent for the total population, broken down to 0.4 per cent for children, 0.6 per cent for the youth, 1.4 per cent for the working age population and 4.3 per cent for the elderly (Table 6.1). When compared to this report's findings, these rates immediately make obvious that the employment challenge in the Arab region will persist.

Labour force growth is likely to exceed that of the working age population as more women join the labour market. Given that much of the slack in employment creation was taken up by the economic reforms in the last two decades, it is not unlikely that the employment/output elasticity may revert to a more normal range and turn out to be around 0.5. This means that the Arab region should sustain an annual economic growth rate of no less than 4-5 per cent and higher if it is to start reducing unemployment.[86]

Moreover, evidence from earlier crises shows that youth unemployment persists long after growth resumes. Young workers are especially vulnerable to changes in the labour market because they lack relevant job skills, work experience and access to information, and suffer disproportionately in their search for employment – a situation exacerbated during times of crisis.[87] It took countries able to restore pre-crisis lows in youth unemployment an average of 11 years to do so – ranging from 17 years for Greece to 7 years for Mexico (figure 6.2, left panel). Some countries, such as those depicted in the right panel of figure 6.2, never attained the pre-crisis lows – only new, albeit higher, troughs in youth unemployment. It took these countries more than 17 years on average to achieve a "partial" recovery. More

Figure 6.2: It takes a decade or even more to restore youth employment to the pre-crisis levels

Time taken for youth employment to recover from earlier crises, in years



Source: IILS (2010).

recently following the global financial crisis of 2008, in some countries, including Brazil, Japan, the United States and the United Kingdom, youth unemployment rates have already surpassed the peak rates during the downturn of the 1990s.[88]

Employment falls sharply after crises and can take decades to regain its pre-crisis level.

According to some estimates, in order for the non-GCC Arab states to reach full employment and raise the labour force participation rate of women to 35 per cent (which is still 15 percentage points below the average for developing regions), an average investment rate equal to approximately 50 per cent of the GDP of these states in 2009 would be required.[89] This rate of investment can be substantially higher for low-income countries in the Arab region. Reaching this investment rate will not be easy on current practices and trends and would require substantial external support for its realization.

Unfavourable macroeconomic conditions arising from the dynamics of the post-2010 transition may further inhibit investment in fixed capital and slow down productivity growth. The relatively low investment ratio of the region (average 20% of GDP, compared to 35% in East Asia) may therefore persist for some time. Weak and politicized business environments can further impede long-term private investment. The average investment cost per employment opportunity created is high, at approximately $100,000 though excluding the GCC, where the investment required per job exceeds $400,000, the regional average drops to approximately $50,000.[90] Especially in the case of youth, their gains in employment and reduction in unemployment documented in this report may stall. These gains may even be reversed as they can be partly attributed to the fast-growing education among the youth in the past, as against the less educated adults. The adults of the future will be more educated than adults in the past, while the future youth cannot increase their education enrolments forever. This will make the future youth labour supply relatively less attractive compared to that of adults.

International evidence suggests that for transitions to be successful there should be parallel improvements both at the political and also economic levels, not one "first" and the other "later".[91] There can be reversals of course either at the political level or economic level or both as transitions are also associated with opportunities for rent seeking, untested institutional reforms and a multitude of economic challenges. Of the major transitions toward democracy across the world since the 1960s, almost half were followed by sharp declines in per capita incomes. The cumulative difference in income growth between successful and unsuccessful transitions reached 35 per cent in the five years following the onset of the transition. With the right policies, the Arab states can be positioned in the former group.

Policy directions

As noted in the introduction, it is important to critically examine development facts and challenges in Arab countries in order to offer remedial medium and long-term policy perspectives. It is by now clear that the emphasis should be on decent employment creation and more broadly human development rather than just on fast economic growth. Distributional issues are important and should not be treated as a residual matter.

Two policy-related stances derived from this framework are particularly relevant to the analyses and policy recommendations contained in this report. First, institutions and distributional relationships across its productive sectors and social groups play essential roles in determining economic and social outcomes. Thus, changes in income inequality may have a strong impact on growth, employment and poverty reduction. Second, under the conditions of generalized or mass poverty (as in the case of Arab LDCs) and high unemployment (as in the case of most other Arab countries), many social protection schemes, employment-oriented social funds for development and other redistributive social welfare schemes are not sufficient to counter the gaps created from low or mistargeted public investment and poorly regulated business environments.

Those stances are also consistent with what we know from early reform experiences in developing countries. One main conclusion that emerges is that stabilization programmes, which are designed to concentrate on reducing the fiscal deficit, often set off a contractionary multiplier output response (instead of slowing price increases as they are often meant to do). Also, the analysis of trade liberalization and productivity growth in Arab countries has shown mixed results.[92] The fact is that we know that trade liberalization might be good for growth, but we are not quite clear as to who wins and who loses, or how free trade affects poverty.

The situation is different however, for the 'investment rate', defined as the ratio of investment to GDP that is typically found to be a statistically significant determinant of the growth rate.[93] Accordingly, as proposed in this report, if Arab governments want to use growth as a channel for poverty reduction, they would do better to focus on investment, including public investment. Recent UNDP-led reports on macroeconomics and poverty in a number of developing countries, including, from the Arab region, Syria, Yemen, and Sudan, reach the same conclusion. The fact that public investment, and especially public infrastructure investment, spending has declined (as a share of GDP) in Arab countries since 2011 is thus an area of grave concern.

Going by well-intentioned prescriptions for policy directions to create an inclusive model of development for the Arab region, the first conclusion is that "more of everything should be done better". This is undoubtedly a valid conclusion but of little practical use. To become operational, it needs to be more focused on specific issues, and sequenced over time. In other words, policy-makers need more guidance on what the priority areas are in terms of urgency and greater impact.

The recommendations can be grouped into those that address systemic issues across the economy and those that are more specific in nature and objectives. At the general level, this report recommends: (a) policy coherence at the macro level, which leads to better outcomes in terms of aggregate productivity gains and increases in average wages; (b) social dialogue, which increases both the voice of citizens and the accountability of governments; and (c) social protection, which reduces poverty and vulnerability by pulling risks across the whole population, and enhances human development that would not necessarily have been possible under private insurance mechanisms.

Specific policies and programmes are more focused but still important in many economic and social areas. They include migration, education, training and, more broadly, active labour market programmes, monitoring and evaluation mechanisms and labour market information systems.[94]

General policies

Starting with policies at the general level, the Arab countries should try to unlock their economies from the low-wage equilibrium they have been in the past. If wages were higher, this would imply that productivity was higher. Higher wages would also contribute to a reduction in poverty, while higher productivity would increase economic growth.

Generally, it might not be easy to move the economy towards high-wage equilibrium in the short run if there is excess labour supply. If this is the case, there will be unemployed workers willing to work at prevailing wages, if jobs were available. The good news is that some of the slack created from the past very high rates of fertility in the Arab region has already been taken up in the last decade or so (though at times through emigration). Still, a quantitative reduction in labour supply alone is not enough to reduce unemployment. This would require economic policies to create the right size and type of labour demand.

The past reform agenda in the Arab region, as advocated by international financial institutions, sought to resolve the employment problems of demand-constrained economies by emphasizing the need to remove supply-side bottlenecks. As this report argued, these bottlenecks were not removed and production shifted to areas that serve the interests of a narrow group consisting of political and business leaders.

The policies pursued before the Arab Spring and their apparent success are now questioned even by their initial supporters.

The Arab countries should not simply aim at the fastest possible economic growth rate and the most aggressive pace towards fiscal consolidation. In the presence of large and likely to increase unemployment (as one would expect in the aftermath of the Arab Spring) judicious alternatives should recognize that the aggregate level of employment depends on the totality of economic policies and the nature of and synergies between the public and private sector. In this context, the following three areas are perhaps the most important ones if the Arab region is to achieve successful transition through equitable and therefore sustainable economic growth.

Macroeconomic policy coherence aimed at economic growth and shared benefits

Few would doubt that public institutions in the Arab region had to move away from the old statist model. They needed to be reformed to become more effective and genuinely pro-business resulting in the creation of profit opportunities. However, policies in many Arab states focused in various proportions on fiscal consolidation (and subsequently more reliance on privately provided social services and public goods), financial deregulation (leading to quick private returns for the few and asset bubbles, including in the housing market, against a fast-growing population) and privatization (at times closer to denationalization with the proceeds again accruing selectively to only a few).

Oil producing countries focused, at least in part, on activities such as creating financial centres, real estate, airlines, industrial parks and aluminium smelters whose long-term benefits are still to be assessed but have not done enough so far to reduce unemployment among their nationals, who are still seen as not having the requisite skills despite massive investments in education. In turn, the "need" to rely increasingly on migrant workers remains as great as in the past.

What came to be considered as strong economic growth in the region over the course of the last decade or two is now known to have given rise to feelings of inequality and also a sense of unfairness: under a series of reforms and economic adjustment, the move away from state-owned enterprises towards a private sector-led model in many cases favoured investors who were willing to strike deals with the ruling elites. The booming real estate sector, construction, and financial and banking sectors typically benefited only a tiny minority and left even the middle classes behind.

Future policy-making should be more broad-minded and cognizant of the social impact of policies. If fiscal, monetary, financial, industrial, trade, investment and business policies do not take into account their social impact, there are only so many jobs that an economy can generate, and the jobs that it does generate will not necessarily be decent jobs. For example, megaprojects that have very weak linkages with the local SME sector and little direct impact on employment have not been uncommon in the region. Similarly, investment policies may pay more attention to the short term and thus attract foot-loose and speculative activities. Trade can be distorted by unwarranted protectionism and ill-designed subsidies, while business development can be hampered by red tape, if not outright corruption, and it is always tempting for countries in the Arab region – and everywhere else – to have some trophy projects.

If Arab countries are to generate decent employment and reduce poverty, economic growth is certainly a prerequisite. If growth is also more equitable, countries have a much better chance of reaching these targets. Hence, a strategy of employment generation and "equity-based" growth will need to be rapid enough to improve significantly the 'absolute' condition of the poor and equitable enough to improve their 'relative' position. This can be achieved by greater equity at the start (such as through universal access to education and health services) or by decreasing unacceptably high inequality over time (such as generating widespread employment among low-skilled workers).

"Equity-based" growth can be achieved through a variety of strategies. The choice depends in part on each country's initial conditions. In general, if growth is to reduce poverty significantly in the short- and medium-terms, it should offer equal opportunities to all, including those engaged in small-scale agriculture and small and medium enterprises, in the areas in which they live (such as underdeveloped regions) and for the factors of production that they possess (such as unskilled labour or undeveloped land). A strategy that posed such an immediate objective would be strongly equity-driven in its early stages and tend to be bottom-up in its impact, directly reaching the poor and unemployed where they are to be found.

From an employment perspective, the objective of development is to enable the workforce, poor workers in particular, top move into higher productivity sectors. In most cases, this would imply moving poor workers out of agriculture and into industry and more modern services. This would need to incorporate a renewed commitment to public investment as a core vehicle for rejuvenating growth. The primary constraints for this appear to be ideological. They concern the 'crowding out' effects of public investment, that is, the greater public investment is, the lower private investment will be. This thesis overlooks the

complementarities between private and public investment. The relationship between public and private investments need not be an antagonistic one. The State can create a transparent investment and business environment in which one kind of investment "crowds in" the other. It should also ensure that investments in public infrastructure and human development are not are not conditioned by the ability to pay when social returns are high.

Thus it is not just one policy or another that matters, but how fiscal, monetary, financial, industrial and private sector development policies combine to boost labour demand. For example, we know from cross-country evidence and country-specific experiences that inadequate access to finance and low public investment in human and physical infrastructure can seriously curtail private sector development and hence employment creation (many international surveys make that abundantly clear).

Ensuring greater access to finance is a core issue in monetary and financial policies, while ensuring adequate investment in infrastructure is a key aspect of fiscal policy as it impinges on resource mobilization. It is fair to say that until recently the conventional macroeconomic framework, with its emphasis on inflation targeting and fiscal consolidation has not paid sufficient attention to these key issues. Still, some regional economies are struggling with fiscal austerity while they target low, single-digit inflation. The resource allocation between traded and non-traded sectors, and hence labour demand, can be further affected by exchange rate policies and the management of the capital account. Reforming policies in these areas can create much needed policy space to promote employment creation, yet many countries in the region did not use the opportunity to use the exchange rate to influence structural transformation.

Whether policy coherence is achieved and specific policies become successful would depend on the capacity to implement them. Intuitional weaknesses that have contributed to the socio-economic and political exclusion in the region should be removed. The weakness of institutions responsible for providing essential public services such as social security, health and education is a major cause of larger and cumulative development failures in terms of equitable access to opportunities for socio-economic development. However, institutional reform is an inherently long-term process that requires, first and foremost, executive authorities to be selected on the basis of merit rather than loyalty. In this respect, there are key institutions that should be given priority in the immediate term. Typically, these institutions would include taxation and customs authorities, central and public banks and development funds, in addition to audit authorities and anti-corruption and human rights protection agencies. Furthermore, it is important to revise the legal codes governing the civil service to ensure its professionalism and responsiveness to the demands of the public.

Promotion of participatory and inclusive social dialogue

The pre-2010 economic growth in many Arab states took place while voice and accountability remained among the lowest in the world and in fact deteriorated at regional level over time. Improving social dialogue or introducing it where it does not exist is perhaps the main challenge facing the Arab economies in transition or regimes that are apparently stable but still have low voice and accountability. The ongoing debt crisis in Europe is illuminating in this respect. While the adverse effects of abrupt fiscal consolidation, extensive austerity packages and lack of economic growth are in some respects greater in Europe today than in some Arab economies, dispute resolution mechanisms are institutionalized and provide an avenue for political stability, which is key for subsequent investment and growth.

Though there are examples of autocratic regimes that have achieved good macroeconomic outcomes during the early stages of economic development, history and the recent examples from the Arab region tells us that there is a point in economic and social development after which the economy and institutions become too complex for designing and implementing top-down policies without a representative and participatory process for decision making. This is particularly true if inequality increases during the take-off period of the economy and periods of fast economic growth. If so, this fact should not be passively accepted but recognized and addressed.

Social dialogue can improve the communication between the leaders and the people. It creates an avenue for echoing concerns and reducing misunderstandings and, when disagreements remain, it provides institutionalized mechanisms for conflict resolution. For example, amidst the tense situation in many Arab countries, social dialogue can play an important role in determining the right balance between employment protection regulations and a socially acceptable level of minimum wages. A stable system of labour relations would also lead to predictable outcomes and thus encourage investments while it contributes to social justice by contributing to a fairer sharing of the benefits of economic growth.

Expansion of coverage and increased effectiveness of social protection

The Arab states have the highest unemployment rate in the world, but they also have relatively medium-income poverty rates. Evidence also reveals that vulnerability in the Arab region is very high due to the shallow nature of poverty. This implies that social protection mechanisms that protect individuals and households need not require large fiscal outlays if, unlike in the past, they are properly designed and implemented. As the situation stands today, there is a pressing need to increase coverage and improve efficiency, effectiveness, equity and sustainability.

Following the Arab Spring, many states in the region – and not only those directly affected by the uprisings – introduced, expanded or re-introduced measures to expand employment in the public sector, increase salaries and pension benefits, and so on. However, expanding social protection should be part of a more coherent national social security strategy embedded in wider economic and social policies.

The coverage of social insurance in many Arab states, that is restricted to workers in the public sector and private sector workers with regular contracts, should be extended to include all workers who can contribute to the system, including the self-employed. Another way to expand social protection is by supporting those who are not able to contribute to formal social insurance schemes. This measure can generate considerable social returns through well-designed cash transfers that encourage children's education and increase access to health care.

Food subsidies have been one of pillars of the old Arab social contract upon which popular support for regimes was critically based. Historically, they attracted a large amount of public expenditures while they suffered from poor targeting. In many cases, they were reduced or eliminated over time. However, there is no reason why the design, targeting and implementation of such schemes cannot be improved. Politically, food subsidies continue to represent a form of social protection to which the population firmly believes that it has an inherent entitlement. Economically, food insecurity is likely to arise both from the rising international prices of food and any decline in incomes of the poor during the transition.

Finally good governance is of the utmost importance for the effective implementation of all these programmes as well as their reform, when needed. It can improve coordination between the different programmes and ensure that resources are allocated in the most effective and efficient way. Good governance also nurtures trust in the social security system and thus decreases resistance to participating in the system as contributions are no longer perceived as a tax. Moreover, the lessons of the global financial crisis and the impact it had on private schemes, show that good governance can guarantee the sustainability of the social security system in the long run.

Specific policies

Improved migration management

Migration has traditionally been a feature of labour market in the Arab region, from North Africa mainly to Europe, from the Middle East to the GCC and more informally between different countries, for example from Syria to Lebanon or Egypt to Jordan. Intra-regional labour migration has played an important role in influencing labour market outcomes. It has highlighted the complementarities that exist among Arab countries of origin and the oil-rich Arab states of destination. In meeting labour shortages, the Gulf states also contributed to the employment needs of labour-surplus economies in the region.

Thus, while migration is critical, migration policies that treat migrant workers differently than nationals also fail to respect and protect the rights of nationals who are asked to compete in their own country under conditions that prevail in the country of origin of migrants. Moreover, policies that differentiate between national and migrant workers lead to segmentation of the labour market, at first between national and migrant workers and subsequently to an additional segmentation between the public sector and the private sector by the resulting preference of nationals to be employed in the public sector. In turn, this creates fiscal pressures due to an expanding public sector in addition to overemployment and low productivity in the public sector that can have adverse effects on the quality of public and social services.

Unmanaged immigration can also accentuate inequality by giving employers access to low wage migrants and thus increasing their profits while it restricts the options for nationals and thus reduces their incomes from employment. At the level of economy, productivity is restricted because employers chose labour intensive/ unsophisticated techniques which may in turn induce nationals to invest in education fields that are less demanding. This can lead to credentialism, that is, incentives for nationals to invest in getting the minimum level or least demanding type of education that would just satisfy the criteria for getting a job in the public sector.

Well-designed employment policies and active labour market programmes

Active labour market policies (ALMPs) can help, if properly designed. These include employment services, career guidance, job counselling, labour market information, financial and other support to micro enterprises and SMEs and so on. There are many such policies and programs in the Arab region but their targeting and implementation leave much to be desired. However, ALMPs can be useful in terms of countering education and labour market failures, mitigating costs arising from unemployment by facilitating the reinsertion to employment and promoting efficiency and equity.

Though no substitute for the macro and structural policies mentioned in this report, ALMPs can help reintegrate some groups including the youth that are in the forefront of regional developments. Still, the transition of young people into the labour market can be further helped through exploiting the synergies between the public sector and the private sector with the private sector being able to play in a legitimate way its role in generating new investment, employment and financing for development. In this respect, promoting opportunities for youth entrepreneurship can boost economic growth and create jobs for young people. Related to this are necessary improvements in the regulatory environment that would make it easier for businesses, especially small and micro-enterprises including those located in the informal economy, to operate and grow.

More broadly, special policy interventions to address the difficulties faced by youth may be warranted – and sooner rather than later. In particular, it will be essential to keep young jobseekers in contact with the labour market and for those that return to school, to continue to facilitate a smooth and efficient school-to-work transition – all the while promoting job quality and skills matching. This is of particular relevance against the backdrop of a relatively weak employment outlook discussed earlier in this chapter. If the situation facing youth continues to be unfavourable, it can have serious long-term negative implications – both social and economic – for the development of individuals and society more generally.

However, one should be careful in assessing whether the youth are unemployable or there are not jobs in the first instance. Many unemployed youth are educated and able to find jobs abroad in more professionally challenging and technologically advanced economies than their own. Where this is the case, offering more training results in more educated and trained unemployed. Instead, of such "supply-driven" training (or training with the objective of keeping the youth off the streets), training should be demand-driven: training is effective when it involves the active participation of employers in its design and implementation. Retraining and lifelong education can also be helpful. Job seekers and policy makers are often wedded to the notion that education completed by the age of 18 or 22 is sufficient to see a person through his/her working life for the next three or four decades, whereas changing jobs many times or even switching professions over the working life is increasingly becoming the norm rather than the exception.

Increased quality and greater relevance of education and training

If the thrust of this report is correct, the binding constraint for making productive use of the increasingly educated Arabs lies on the labour demand side. The low-skill, low-productivity, low-wage economies will not be transformed into high-skill, high-productivity, high-wage economies simply by increasing and improving schools, vocational centres and universities.

It is mainly the type of jobs available that leads to investment in human resources, rather than investment in human resources leading to job creation. Once the macroeconomy and various sectoral policies create opportunities for productive types of jobs that require more skills, jobseekers have the incentive to make the appropriate investments in education and skills to enable them to get those jobs. This causality runs against the more common thinking that in figurative terms goes as follows: If only the youth became more educated or received more training or benefitted from micro-loans and so on, unemployment would fall. Counter to this thinking one can argue, first, the total number of jobs in an economy is primarily driven by the demand for labour, especially in the short run: it depends on what employers actually do to pursue profit opportunities, and (unfortunately) not on what jobseekers would like to do to satisfy their needs or aspirations. Second, the types of jobs that exist are also primarily determined by employers and it is the expectation of what type of jobs will be created that drives jobseekers to invest in certain skills. Both the number and type of jobs that are created depend primarily on the employment envelope that is created by macro, monetary, industrial, trade, financial and business policies.

Still, despite recent impressive gains in education, access to, quality and relevance of education can be improved. Access remains limited, especially for girls in some countries, such as Morocco and Yemen and in sub-Saharan Arab states. The quality of education is below the international average in practically all Arab states, although countries experiencing emigration (such as Jordan, Lebanon and Tunisia) score much better than the GCC countries, which have some of the lowest scores globally. The relevance of education can also become more attuned to the needs of the labour market, especially the private sector. The previous point,

that is, that students in the GCC economies have low learning outcomes, relates very much to their preference for and success in finding employment in the public sector. This point also reinforces the need to have curricula that are geared to the demands of the modern private sector today and, if they cannot anticipate future changes, to offer opportunities for lifelong learning.

Better statistics and effective monitoring and evaluation of policies and programmes

Data limitations, in terms of availability and quality, impose a significant constraint for analysis and design of policies in the Arab economies. In addition, the relative absence of statistics makes monitoring and evaluation of policies and programs difficult and can produce misleading results. The statistical challenge becomes even more important during periods of rapid developments, such as those following crises or transitions.

One understandable reason, though it can be corrected, is that many Arab countries have significant informal employment that is difficult to be enumerated and assessed. Only a few countries have incorporated informal employment modules in their labour force and establishment such as Egypt. Others including Jordan, the occupied Palestinian territory and Yemen have conducted informal economy surveys though sporadically or only recently. Unless the structure and flows in and out of the informal sector are known, policy makers may miss a large part of changes in the labour market. In fact, the official measurement of unemployment may be meaningless when informal activities, underemployment or inactivity reach sizeable proportions.

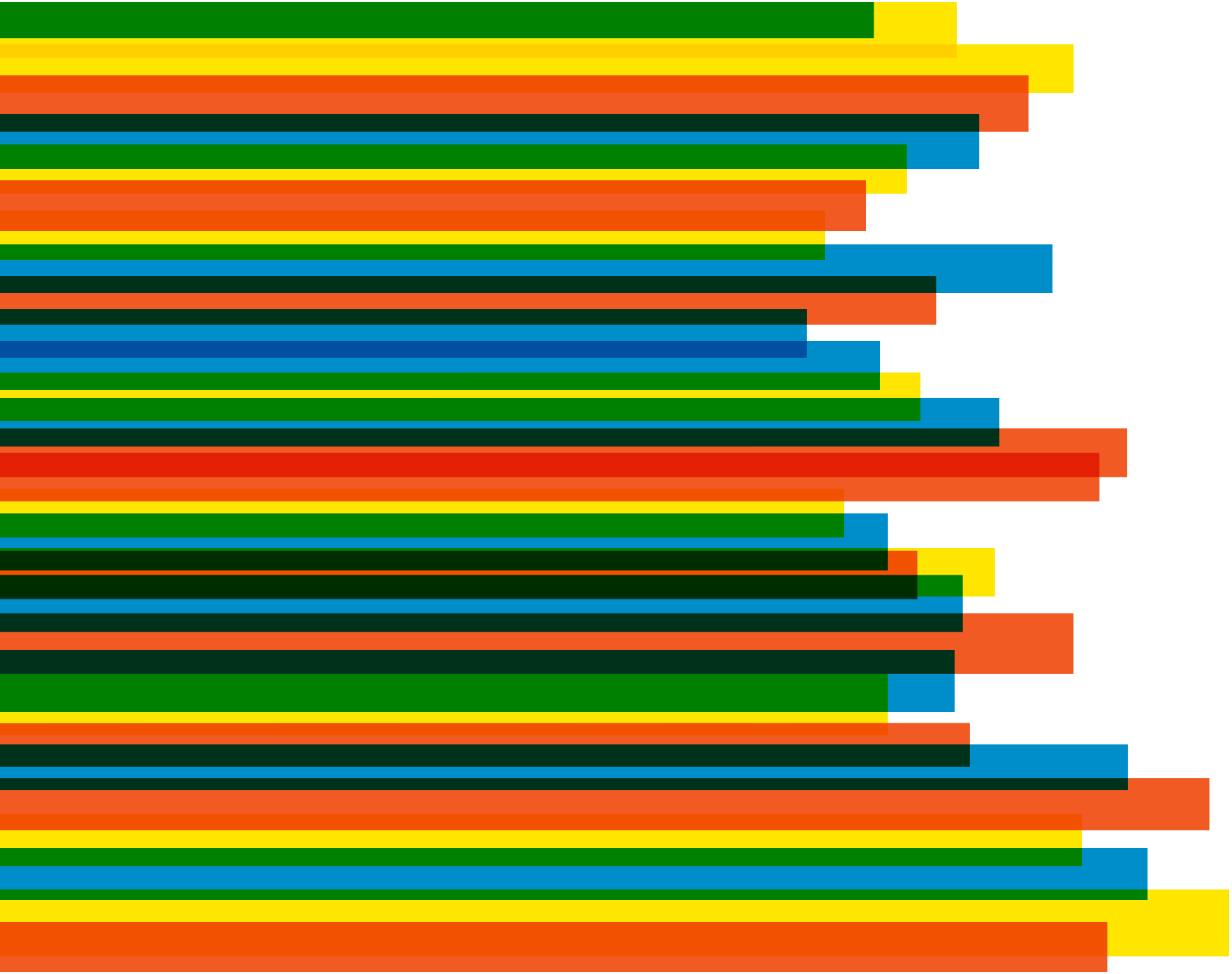
The absence of good statistics on salaries and wages constitutes another shortcoming in the region. There is very little regional information on the level of wages and the composition of labour earnings, let alone their changes over time. Other statistical areas that need additional attention include comparable "follow-up" surveys as it is important to establish baselines for tracing changes over time.

Concluding remarks

The Arab region appeared to be politically stable over the last few decades but is now recognized to have been dysfunctional in socio-economic terms. Despite the progress in some developmental indicators, the economic reform agenda did not serve the region in an inclusive way. Geopolitical uncertainty appears to be intensifying. Projections for economic growth and demographic trajectories indicate that the road ahead will be more difficult for reforms than in the past, not just in quantitative terms but also in terms of the nature of the reforms. Arab countries now face the risks of further economic, social and political volatility unless remedial policies are enacted.

What is needed to make growth in Arab countries more prosperous, employment-friendly and equitable? The answer is policies that create inclusive economic growth. While the public sector has accounted for much formal-sector employment in this region in the past, it can no longer provide enough decent-paying jobs to a still growing labour force. The private sector needs to provide substantially more high value added employment. The choice of economic policies and the creation of a transparent and level playing field for the private sector will be critical in this respect. But the public sector will also continue to play a central role by a combination of financing, providing and regulating essential services, without which the private sector would languish.

The post-2010 developments make it all the more urgent to pursue tangible economic reforms that make a break with the past. Greater accountability, improved governance and effective social dialogue would all contribute to sustainable and shared economic growth. The challenge facing the region is the design and implementation of a new, inclusive policy framework to steer it towards an economically and socially efficient growth path through opportunities for decent work that would restore hope for a better future for current and future generations.



Chapter 7: Workers’ perspective

Chapter 7
Workers' perspective[93]

Breaking with the past: a new Arab development model promoting trade union rights, industrialization, wage-led growth and decent work

Background and introduction

The Arab uprisings have exposed the illegitimacy of the development model that has been promoted in recent decades across the region by governments, large corporations, and international organizations. This report sets out an objective analysis of the relationship between needed reforms, the crisis in the region and the role of different actors, and provides guidance for the elaboration of alternatives. The policies proposed do not always break sufficiently with the past that led to social unrest, however.

In the context of the protests against authoritarian regimes, the labour movement has emerged as an important force, thereby renewing its own legitimacy. Social unrest is the mirror image of policies that undermine the values of human dignity, social justice, and economic security. The unemployment, poverty, inequality, informality, precariousness, insecurity, and co-optation that all fed social unrest were imposed on workers, not created by them. The uprisings were to a significant extent the culmination of decades of deepening social unrest, a signal that the previous state of affairs would no longer be tolerated. However, the ongoing democratization process has not so far yielded the expected positive results for workers' rights, civil liberties, sustainable livelihoods, and viable political reforms.

The economic reforms introduced in recent decades were a major factor in fomenting social unrest. It was not that an old social contract was no longer sustainable: at no point since national liberation struggles and independence had workers agreed to give up their basic freedoms to secure basic living standards. On the contrary, the old regimes were created or consolidated through attacks on freedom of association, either by denying the possibility of establishing workers' organizations or by ensuring that existing organizations were controlled by government. That is not a social contract. At different times, attempts to develop trade unions independent of government and corporations were faced with non-recognition, repression, dislocation, fragmentation, and co-optation. This was a central feature of the persistent attempts of the old regimes to resist genuine reform, particularly regarding structures, representativeness, accountability, independence and autonomy from the State.

Furthermore, the pressures on governments to change their socio-economic policies in the 1990s did not emanate from some inherent unsustainability of the model they had adopted, but rather need to be understood in the context of the surge of neoliberalism across the world, one feature of which was high interest rates, which hampered newly independent developing countries in their efforts to catch up with the more advanced economies. Changing geopolitical circumstances in the region also enabled major international actors, as represented by international financial institutions, to put into effect their own priorities.

There was no real swing of the pendulum from a focus on the public sector to a focus on the private sector. In the Gulf, as well as in other countries, the public sector remains a major employer, particularly of the national workforce. It remains the preferred employer for women and men, not for ideological reasons, but because it offers working conditions and job benefits available to only a minority in the private sector. In that context, the labour protests against privatization can be seen as the expression of the people's view of what the role of the State should be in socio-economic development. The supposed change in the social contract only occurred by further constraining freedom of association, by weakening existing unions through privatization and so-called labour market flexibilization, and preventing large categories of workers, including migrants, women, and youth, from organizing to defend their rights and interests.

It is suggested that, after the swing towards the public sector, and the swing towards the private sector, the priority should be to provide a "level playing field" for the private sector, including the promotion of small and medium enterprises. However, the promotion of SMEs has been a priority for most countries in the region at least since the 1990s. Strategies have been drafted, resources invested, new entrepreneurs trained, and micro-credit has been disbursed, yet the outcomes in terms of combating poverty, unemployment, corruption and poor governance have been

far from satisfactory. Such policies can only lead to further restrictions on the organizing of workers because of the fragmentation of the workforce across enterprises.

Workers' participation in socio-economic discussions and policy formulation remains limited or nonexistent, as governments and large employers still consider such participation a threat to the success of the imposed socio-economic policies and programmes. More of the same cannot be the answer for the elaboration of an alternative development paradigm in the region. United Nations agencies should refuse to confine their role to acting as transmission belts for arbitrary and incoherent government policies, and should instead promote more inclusive approaches in their engagement with national constituencies by bringing in trade unions and their natural allies – the social movements struggling for workers' rights, social justice, political reform, and democratization.

Three elements in particular, which remain insufficiently elaborated, are critical for the promotion of decent work for all women and men. First, from a normative perspective, the promotion of decent work can only be rooted in international labour standards; the report names only one convention, and makes a passing reference to another. Second, from a civil liberties perspective, freedom of association is essential for the advancement of any policies that are in the interest of the many rather than the few; the report shies away from tackling the issue seriously. Third, from an economic perspective, employment opportunities depend on economic structures and their transformation; the report touches upon such matters in some passages, but only superficially. This chapter expands on these three issues.

International labour standards

International labour standards, which provide the basis for decent work and should be at the core of all ILO's work, are a key area requiring greater attention. Ratification rates of ILO conventions are however low in the region, principally in the GCC subregion. In particular, the core conventions on trade union rights and non-discrimination are poorly respected in the region, even in countries where they have been ratified. Legal restrictions and violations remain widespread, and implementation and enforcement mechanisms remain weak or nonexistent. The least ratified core convention is Convention No. 87 on Freedom of Association, which has only been ratified by Egypt, Kuwait, Mauritania, Libya, Syria, Tunisia and Yemen. However, the situation in these and other countries continues to cast serious doubt on the existence of any real political commitment to respect it.

Real transformation of the region towards decent work requires real transformation in the area of workers' rights through their effective recognition and application, including ratification of the relevant conventions and the effective implementation of their provisions, including for migrant workers. A better migration and gender equality policy in the region starts with the right to organize for all workers. The ILO should prioritize the ratification and effective implementation in various countries in the region of Conventions 87 and 98 on the right to organize and the right to collective bargaining, as well as in Decent Work Country Programmes, and regional or subregional action plans and meetings.

A range of other standards that are particularly relevant in the region should also be promoted: Convention No.144 on tripartism, Convention No. 135 on workers' representatives, Convention No.122 on employment policy, Convention No. 158 on termination of employment, Convention No.102 on social security, together with the newly adopted Recommendation No. 201 on Social Protection Floors, Convention No. 189 on domestic workers, the two Conventions on migration (No.143 and No. 97) and Convention No. 131 on minimum wage setting.

Another area of concern is the situation of women workers and gender discrimination in employment and remuneration. Not only is there a lack of ratification of key gender equality conventions (C100, C111, C156, C183), there are also major shortcomings in law and in practice. It is therefore important that standards on discrimination in employment and remuneration, workers' with family responsibilities and maternity protection are promoted, implemented, and enforced.[95]

In short, the ratification and effective implementation of the various international labour standards would ensure a more inclusive development in the region and contribute to inclusive and equitable wage-led economic growth, with increased demand and reduced inequalities as a basis for social peace and political stability. Any alternative development paradigm for the region needs to be rooted in and assessed according to conformity with international labour standards, human and labour rights, and social justice.

Freedom of association, collective bargaining and social dialogue

The Arab uprisings have demonstrated the importance of independent and democratic workers' organizations to lead and frame popular demands. Freedom of association would

free workers from the only choice they have at present – joining dependent and undemocratic trade unions affiliated with the authorities – and pave the way for representative and democratic trade unions. In fact, the establishment of independent trade unions in some Arab countries like Jordan, Egypt and Lebanon clearly shows the desire and will of many workers to seek representation outside the framework of existing trade unions. The ratification of Convention 87 would be a cornerstone in restructuring the Arab trade union movement to make it a true and genuine representative of workers' interests.

Freedom of association is an enabling right, as recognized in the 2008 ILO Social Justice Declaration. It facilitates access to other workers' rights that improve wages and working conditions at the workplace. Failure to respect freedom of association remains a major decent work deficit in the region, and has negative impacts on all areas of the decent work agenda, such as employment creation, social dialogue, and social protection. Unfortunately too little attention is paid to it.

Social dialogue is an important mechanism that underpins democracy and decent work and is necessary to achieve inclusive and productive societies. Despite tripartite commitments made by Arab countries for the advancement of social dialogue, such commitments unfortunately remain largely void as long as the preconditions are not met. The report lacks a deeper analysis of social dialogue mechanisms and their shortcomings in the region; it is important to step up work on effective social dialogue mechanisms, based on Convention No.144 and with the right to organize as a precondition for genuine and well-functioning social dialogue mechanisms. Unfortunately, many of the existing social dialogue initiatives take place in the absence of genuine independent workers' representation. Participants may include government-affiliated unions or management representatives speaking in the name of workers. No social dialogue or collective bargaining can take place or be genuine if workers are not allowed to organize themselves freely in independent organizations, or if the issues that matter to them, such as new production structures and the development of productive capacities and employment, are avoided. Social dialogue initiatives that ignore the continued oppression and intimidation of workers, along with the prohibition of free trade unions and the lack of viable institutions and access to information, are doomed to fail. Genuine commitment to democracy, constitutional reform, social dialogue, and freedom of association needs to be translated into full respect of these principles, not only in law, but also in practice.

Moreover, these initiatives need to engage with independent trade union representation in policy discussions around a new policy paradigm for productive and inclusive growth, and discuss policy areas such as social and economic policies, labour market policies, trade and industrial policies, social security, employment policies, gender equality, and migration policies.

Beyond the policy dialogue, social dialogue and collective bargaining should ensure that a fair share of the benefits created in the economy accrues to workers. Benefits from productivity increases need to be shared through collective bargaining (including at sectoral level), the establishment of wage-productivity linkages and minimum wage setting (promotion of Convention No. 131). The promotion of wage-led growth to stimulate demand in the real economy should be rooted in the promotion of collective bargaining, and together with minimum wage setting and social protection floors not only improve the standards of living of people but also trigger sustainable growth. Discrimination in wages between nationals and migrants and between men and women undermines any effort to rectify ongoing policies and promote wage-led growth.

Creating jobs, structural transformation, industrial development and productive employment

The report shows that too many people are unemployed, underemployed or employed in precarious conditions in the region. There is a low labour force participation of women. Female unemployment rates are much higher than male. There is relatively high youth unemployment, including among the higher-educated. Productivity has lagged behind, especially in industry. The overall production structure is tilted towards low value added products. Industrialization is lower than could be expected from GDP levels. Most striking, and of concern, is the decline in manufacturing in almost all Arab countries, a decline in agriculture and a shift towards low-skilled services. Job growth has been accompanied by wage stagnation and little improvement in efficiency and technological enhancement. In those cases where there were productivity increases, average real wages declined. As the report notes (page 65), the decline in the wage share has been quite fast and 'even more spectacular in North Africa, where the wage share fell by more than 30 percentage points since 2000. In short, the goals of full employment and equitable distribution of income have been abandoned and therefore need to be revived.

The creation of more productive jobs in the region therefore needs urgent attention from governments. A major conclusion of this report (page 20) is that what

"constrained the creation of decent employment in the past has much to do with the level and structure of labour demand". Therefore the alternative development model for the region needs to focus on the creation of more decent and productive jobs. A main argument in this report is that more and higher value added employment is likely to be achieved by placing greater emphasis on the economic and broader development policies pursued in the Arab region than on the authorities responsible for education and/or the labour authorities, which are responsible largely for dealing with unemployment. Such policies include fiscal, financial and monetary policies to improve access to finance through low interest rates; maintaining a competitive exchange rate to promote domestic development and exports; and a fiscal policy that would result in government revenue for projects like infrastructure development, which are much needed in the region.

The report does not go far enough, however. Experience in industrialized and newly industrialized countries shows the importance of the contribution of industrial development to the overall development of economies and structural transformation – the shift of capital and labour from low-productivity and low-wage sectors to high-productivity/high-wage sectors, from an agricultural, resource-based economy to an industrialized economy. Hardly any country has developed and reached high income levels without industrializing. An economy based on agriculture and other low value added manufacturing or services is simply not viable. Moreover, the current trend in the region, encouraged by international actors, is towards self-employment and the proliferation of micro-credit. This trend only encourages the mushrooming of micro and small enterprises characterized by very low levels of productivity that do not have much growth potential; on the contrary, they foster low quality services and informal employment. While it is important to improve productivity in agriculture and to ensure food security, rapidly growing economies tend to have rapidly growing manufacturing sectors. Industrial development requires diversification, but diversification in itself is not sufficient. It should take place towards the production of higher value added and technology-intensive products (product sophistication), thereby increasing the product space and the range of capabilities and knowledge in an economy. Such a diversified production structure with a strong industrial base and higher value added production can benefit workers through higher wage levels, as long as their rights to organize and to bargain collectively are respected.

Table 7.1: Manufacturing value added (MVA) in selected Arab states and comparators, 2009

COUNTRY	MVA PER CAPITA	MVA/GDP (%)	MVA/WORLD MVA (%)	SHARE OF MEDIUM-TECH AND HIGH-TECH IN MVA (%)
ALGERIA	135	6.13	0.07	11.28
EGYPT	353	18.09	0.39	25.72
JORDAN	401	16.86	0.04	24.34
KUWAIT	2,208	10.35	0.09	8.00
LEBANON	627	9.87	0.04	10.83
MOROCCO	241	13.34	0.11	28.86
OMAN	670	7.53	0.03	16.75
PALESTINE	104	12.00	0.01	1.51
QATAR	2,628	5.35	0.03	17.44
SYRIA	194	14.26	0.06	21.52
TUNISIA	476	17.19	0.07	9.32
YEMEN	29	5.17	0.01	3.89
BRAZIL	594	13.71	1.66	34.97
KOREA	4,562	29.43	3.16	55.12
INDIA	99	13.74	1.69	34.13
GERMANY	5,250	21.72	6.17	58.84
MALAYSIA	1,390	27.92	0.54	46.12

Source: UNIDO (2011).

As described in the report, the situation in the Arab region is characterised by little diversification and low manufacturing. One study of five countries (Lebanon, Jordan, Egypt, Morocco and Tunisia) shows a "relatively high level of export concentration (Herfindahl index) compared to other emerging economies with only little change over the past decade. Exports are characterized by low technology intensity, possibly caused by a lack of scale economies in the production process. Moreover, we find evidence [that] the pertinent trade structure constrained export growth".[96] The countries also score low on the product variety index and high (and increasing) on the export similarity index. The report further notes that "changes in the production structure between 1990 and 2005 were only marginal"[97] and that the comparative advantage was based on natural resources (agriculture, petroleum, other mineral products) and low-skilled manufacturing (clothing, leather and footwear). The pace of structural transformation has been slow.

The UNIDO 2011 Industrial Development Report shows that the share of manufacturing employment in the Middle East and North Africa is low and declining slightly.[98] In terms of competitive industrial performance, the region also scores rather low. Table 7.1 shows several indicators of industrial performance for the region, which again displays low levels of manufacturing and low levels of medium and high-tech manufacturing value added.

A serious industrial development strategy requires an industrial policy. A range of elements can be identified from the literature[99] that should be part of such an industrial policy. First of all, national ownership of an industrialization strategy is important and the role of the State (the developmental role) is crucial in driving the industrialization process, but without the cronyism and bias in favour of the financial, insurance, and real estate sectors that has marked the region in the recent past. Focus has to be on the promotion of high quality activities (increasing returns) characterized by steep learning curves and dynamic imperfect competition, technological change, synergy and cluster effects. It is important to create new comparative advantages and not to stay within the existing low value added comparative advantages. In order to be successful, this requires risk-taking. There is a need for investments in innovation (public research and technology centres) as experimentation and innovation are essential. Any industrial strategy should now also include the development of green technology for clean production processes or "greening" of current production processes, while avoiding the pitfalls of exclusive reliance on market-based mechanisms. Selective-targeted policies (such as subsidies, export targets, local content requirements) are also important but need to have some sort of control mechanism in order to avoid abuses. Access to cheap (domestic) finance for infant industries is crucial as is the role of education, in particular technical education, in supporting an industrial development strategy, including through an increased role for vocational education and training and apprenticeships.

The role of trade policy and trade liberalization is also crucial. Trade liberalization can lead to deindustrialization and should therefore be implemented with care. Current liberalization levels still provide reasonable tariff protection, although bilateral agreements (in particular with the EU and US), WTO accessions (i.e. Lebanon, Yemen, Syria, Libya, Iraq and Algeria) and possible Doha commitments (i.e. Egypt, Morocco and Tunisia) could or already have seriously reduced this policy space. Generally applied tariffs in the region are rather low, and the report mentions that economic liberalization in the region has been associated with slow decline in poverty and informal employment. Tariff policy is not the only industrial policy instrument but can be decisive for protecting a nascent sector or industry. An industrialization process requires tariff flexibility, i.e. countries should be able to adapt their tariff levels for individual products over time, depending on their stage of development and on whether the product is an input or needs infant industry protection. At the same time, trade liberalization has led to across-the-board tariff cuts or elimination, while failing to recognize tariff needs for industrial development, and has further entrenched production structures around minerals, natural resources and agriculture or other low value added activities, which have in turn restricted the potential for employment creation and job security, higher wages and decent jobs. It is worth mentioning in this context the so-called Vanek-Reinert effect,[100] which stipulates that when two nations at widely different technological levels integrate (such as countries in the Arab region with industrialized countries in Europe or the US), the first casualty is the most advanced economic activity in the least advanced nation. This in turn contributes to factor price polarization and migration of skilled labour, as witnessed in many countries of the region. Trade liberalization and integration among countries with different levels of development in the global economy therefore often lead to specialization in low value added and low tech-intensive production in the developing countries.

Countries should therefore review current trade liberalization commitments that reduce their policy space and be more careful with new commitments. It is particularly important to look at the FTAs with developed countries, WTO accessions, and WTO negotiating positions in the Doha Round. All these have restricted or can severely restrict policy space. It might be necessary to roll back some of these commitments for industrial development purposes. But trade agreements have not only reduced tariffs. They have reduced policy space altogether, including in areas such as intellectual property

right protection, which impedes reverse engineering and technology acquisition; and by prohibiting or limiting the use of conditions on government procurement, subsidies, investment requirements, export targets and safeguards. All these policy instruments were enormously important in economies that industrialized previously.

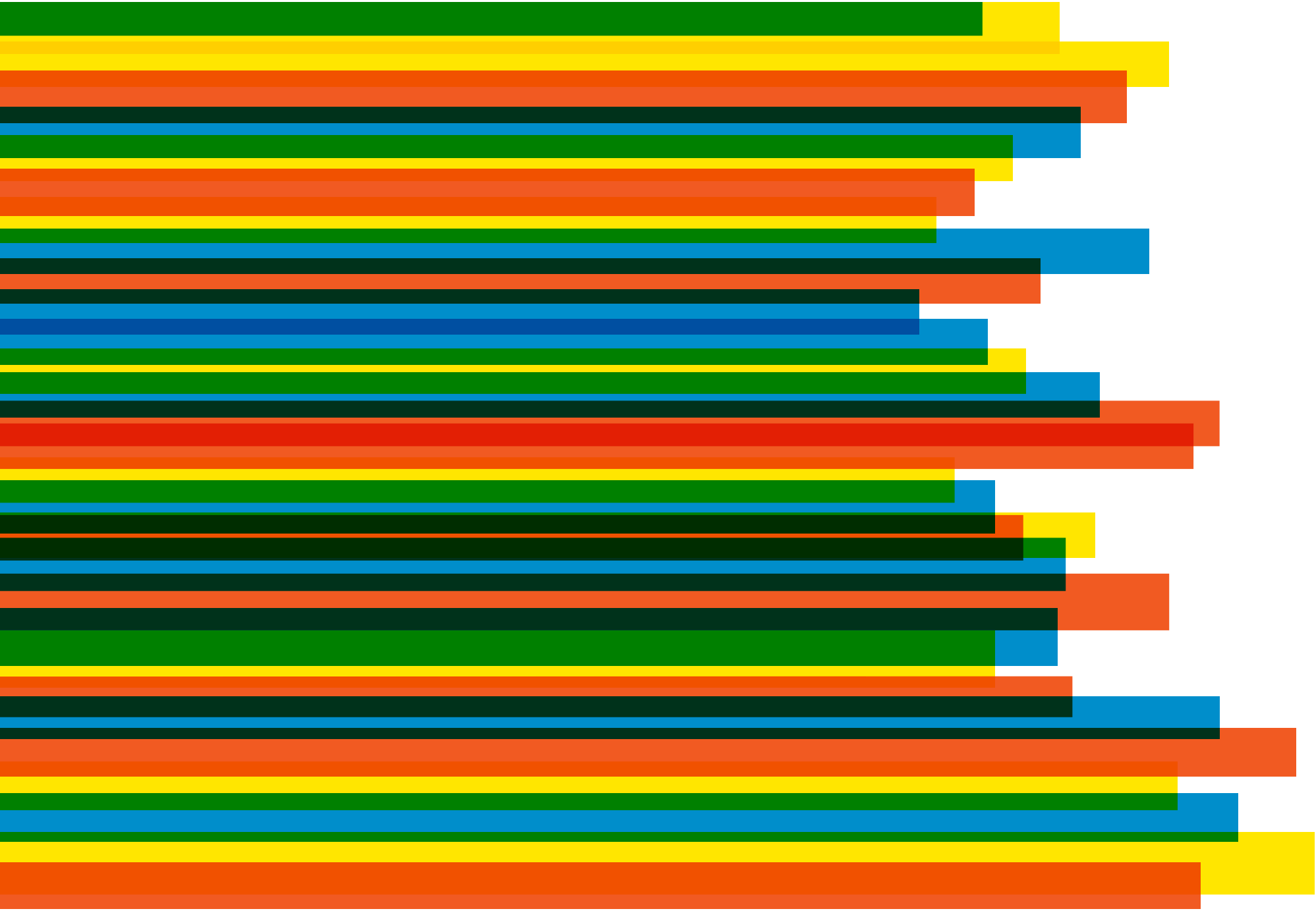
Investment policies are also of major importance in an industrial development strategy, but again not enough attention is given to this, including in the report. The failure of the Arab region to invest can be sought in the "unfavourable macroeconomic conditions that inhibit investment in fixed capital and stall productivity growth ... Drivers for growth were typically the real estate, construction, banking and financial sectors that mainly benefited only a minority of investors" (page 35). More emphasis should be put on the type of investment to be attracted, which should correspond to the industrialization strategy. FDI should not determine industrialization: it is the industrialization strategy that should determine the type of FDI. At the same time, the great reliance on foreign investment as opposed to domestic investment could seriously hinder development efforts by undermining economic and political independence.

Experience shows that FDI and entering into global supply chains can actually perpetuate production in low value added activities and that it can prevent countries from moving up the value chain and industrializing. For such a strategy to be viable, it is important to set concrete targets and to promote investment requirements such as local content requirements, export targets, etc. These have proven to be important in newly industrialized countries. Furthermore, much more attention should be given to the role of domestic investment in industrialization, and to synergies and technology transfers to the domestic sector.[101] It seems from the report that there is a high potential in the region for domestic resource mobilization for investments. Moreover, the scope for public investment and employment-intensive investment programmes merit further attention in the region and is an area in which the ILO has expertise. Another concern related to investment is bilateral investment treaties (BITs), which have also reduced policy space, particularly in protecting investors and limiting governments from setting any investment requirements. Such treaties are particularly harmful as they do not acknowledge countries' developmental interests and often include investor-to-State provisions which allow investors to sue governments in opaque dispute mechanisms that put the right of investors above the right to development and have resulted in multi-million dollar claims by investors to be paid from scarce government resources.

Also important in an industrial development approach is the building of free, democratic and independent trade unions and the promotion of collective bargaining to ensure that higher value added and higher productivity jobs translate into higher wages and better working conditions for workers in the region. Together with a social protection floor, this will foster domestic demand, investment and employment.

Last but not least, regional integration offers a lot of potential for growth and regional development, as long as its' social dimension is emphasized and the effective participation of independent trade unions is respected in a framework of transparency and good governance. This requires a regional industrial policy that ensures complementarity of diversified production structures within the region, and a regional migration policy that safeguards national and migrant workers' rights. There should be a role for a regional development bank, aligned with regional industrial policy. The results could be substantial given the financial means available in the region for targeted and coordinated productive investment. These means are currently unevenly distributed, however.

In conclusion, given the interconnectedness of the distribution of economic and political power, there is a need to adopt a holistic perspective. The ability to deliver results in line with popular expectations is contingent on the clarity, coherence, and consistency of the priorities, projects, and programmes in the region. In that spirit, the momentum created by the Arab uprisings should be maintained in order to advance reforms that promote genuine political and economic democracy. A clear break with the past is needed. However, such a process cannot proceed without the active participation of the labour movement, organized in free, independent, democratic, and representative trade unions.



Chapter 8: Employers’ perspective

Chapter 8
Employers' perspective[102]

Creating an enabling environment for enterprise-led growth and job creation: the role of representative national employer and business membership organizations

The greatest political prerogative facing governments across the region is higher growth that creates more jobs and shares the benefits more equitably among all parts of society. Creating the 50-70 million jobs that the World Bank estimates will be needed in the region over the next decade to reduce unemployment will require a step change in policy choices. As this report notes, the decreasing role of Arab governments as employers of last resort means that there should be increasing reliance on the private sector as the main engine of job creation.

Recent economic reforms failed to unleash private sector potential in the Arab region. Political considerations prior to 2011 constrained the ability of the private sector to play its potential role to the full in this regard. Policy-making processes were confined to government circles, with little input from business. The private sector often lacked the basic features and conditions that translate growth into better living standards and increase economic opportunities, as they have in emerging markets in Asia and other parts of the world.

This short article outlines from a business perspective the policy framework able to facilitate an inclusive growth pattern across the region that could deliver on the employment challenge. It concludes with an outline of the role of representative private sector organizations in that process.

Trade, competition and investment policies for growth, innovation, wealth and employment creation

Trade is vital to economic modernization and diversification and is a key enabler of innovation and investment. Trade and investment (including FDI) are critical in creating employment and reducing poverty and have contributed in global terms in the last three decades to large advances in poverty reduction. According to a joint ILO/WTO paper, in the long run, the efficiency gains of trade liberalization can lead to positive employment effects, either in terms of quantity or quality of jobs or a combination of both.[103]

Yet the MENA region is one of the least integrated regions in the world. Almost 60 per cent of MENA exports are to Europe, reflecting proximity and long-standing linkages, which implies that MENA has not inserted itself into the global economy and has not benefited from the high growth rates achieved in other emerging markets. MENA exports have also been mainly concentrated in primary and consumer goods, and less so in high value added, high-technology, intermediate, and capital goods, which have seen the fastest growth in recent years. In sum, MENA has not reaped the full benefits of globalization.[104] Carefully crafted policies that can help firms maximize the potential of global markets without adversely impacting on nascent indigenous firms need to be pursued.

Policy efforts must also focus on increasing productivity and competitiveness, especially among the small firms that are so prevalent in the Arab region, in order to enable them to become larger, growing entities capable of competing across borders. Weak productivity and innovation have restrained firm competitiveness and the diversification of exports. MENA's productivity is close to that of many middle-income countries of Latin America and surpasses sub-Saharan Africa, but a comparison with high-growth East Asian countries, Brazil, and Turkey shows that gaps in total factor productivity and in labour productivity are enormous in non-GCC countries.[105]

Moreover investments in the private sector remain low and capital-intensive. Because of high energy subsidies and low real interest rates, most private investments in MENA focus on capital-intensive activities.

Supportive measures for young, dynamic, export-orientated firms are critical. Entrepreneurs drive and shape innovation, they speed up structural changes in the economy, and they introduce new competition, thereby contributing

to productivity. Yet young, small and informal firms are often hit hardest by constraints such as difficulties in obtaining finance, lack of confidence in courts' ability to uphold property rights, and inconsistent interpretation of government regulations.[106]

An open, competitive policy environment would encourage more such start-ups and more investment opportunities. Competition forces unproductive enterprises out of the market, increasing the economy's overall productivity. Entry and exit barriers, such as state monopolies and state licences, need to be identified and reviewed.

Reform needs to open up the economies of the region to competition, which can help fix loss-making and inefficient enterprises, thereby freeing public resources, which can then be redirected towards more productive spending, including, for example, on health and education or public investment.

Inclusive labour market regulatory frameworks

A key component upon which new job creation policy agendas should be based is a review of existing regulatory frameworks in order to remove inequities and ensure greater inclusivity. In MENA, the cost of advance notice requirements, severance payments and penalties due at termination expressed in weeks of salary account for 50 weeks of salary on average, as against 28 in East Europe and Central Asia and 27 in OECD countries. Labour taxes and mandatory contributions by businesses as a percentage of commercial profit are 25 per cent in North Africa, compared to an average of 10 to 13 per cent in East Asia and the Pacific, and Latin America and the Caribbean.[107] Thus, while they are intended to protect workers, they in fact impede job creation in the formal sector and contribute to driving firms into the informal economy, where young people have limited opportunities for human capital development, and workers enjoy no rights or protection.

Labour legislation needs to be developed in a way that provides protection for workers but is affordable and workable for firms. Design matters a great deal. If legislation is designed with sufficient care, it is possible to provide adequate protection to workers while maintaining the kind of responsiveness that enterprises need. In short, legislation that is capable of widespread application and does not constrain competitiveness needs to underpin legislative efforts.

Rather than being the cause of a redistributive dispute, labour market modernization and a pro-jobs policy need to be perceived as a public good that will, in the medium to long term, benefit all. As discussed below, social dialogue is critical for making this principle operational.

Regulatory frameworks that support innovation and promote competition

Regulatory frameworks need to be set in a framework that provides appropriate safeguards so that all can reap the benefits of policy programmes. Good regulations are needed in areas such as taxation and regulations. Business licensing is a fundamental pillar for the creation of a favourable business environment. Effective regulations need to address market failures that inhibit productive investment and reconcile private and public interests.

Yet the region remains one of the most difficult in the world in which to do business (overall average ranking for countries in the region in the World Bank's Doing Business Index is 97 out of 183).[108] Even in GCC countries, which score well in the Index due in part to recent reform efforts (average country ranking is 43), there are major concerns within the business community as to the actual application of recent reforms.

Policy-makers will need to revisit existing frameworks and identify and reform stifling economic regulations. Additionally, in many countries, there are reform gaps in the regulatory environment, in access to finance and in access to land. Rather than policies as they appear on paper, a large part of the problem seems to lie with the unequal, discretionary and preferential implementation of policies. Reducing barriers to employability and promoting opportunities for young people

The issue of skills mismatches emerges consistently as a concern for business in enterprise surveys across the region.[109] There is an ongoing need to raise the quality and improve the relevance of education and training in order to meet the needs of the economy, employers and learners. This should be done both at the pre-employment stage and in the form of lifelong education and training for the current workforce.

Active Labour Market Programmes (ALMPs) that target youth often lack the necessary mix of design features necessary for success, and are too often (a) supply-driven (partnerships with the private sector are rare), (b) traditional (i.e. they focus only on hard skills in an in-class setting), and (c) do not provide employment and/or intermediation services. In this respect firms also need to step up enterprise-level training.[110] Employability of all groups through better education, effective skills development,

including through vocational education and training (VET) and improved matching of skills to the labour market, should be a continued priority for governments in collaboration with workers. *In these endeavours it is vital to have an effective institutional, targeted and intensified policy dialogue between business and education policy-makers at all levels and across all sectors.*

A major review is required of the role of the public sector as an employer. Historically, the public sector has been the largest employer of university-educated workers and this has undermined entrepreneurship among young educated workers, contributed to long periods of unemployment, and distorted skills acquisition.[111] As this report shows, the overall public sector wage bill in the Arab region is the highest in the world, representing some 38 per cent of current expenditure. It is almost double the world average (excluding China). In Egypt, Syria and Iraq, the public sector still accounts for 30, 27, and 37 per cent of overall employment (compared to an average of 15 to 20 per cent worldwide).[112] This is neither sustainable nor conducive to growing the private sector

Governments across the region must work closely with the private sector to develop training that would lead to enterprise employment. A range of measures could be explored, such as private sector training programmes funded by ministries of labour, and encouraging secondments to the private sector for public sector employees.[113] Alongside these measures, more state-owned enterprises should be encouraged to follow private sector practices. Given the social and cultural bias towards public sector employment among young people and their families, there is a need for public campaigns to improve the understanding of opportunities in the private sector.[114]

Tackling corruption and good governance

Good governance processes are important for managing policy complexity and promoting the economic, environmental and social transfer goals that serve the interests of citizens.[115] Pervasive corruption has made it impossible for firms in the region to think beyond the short term. There must be certainty and even application of regulatory policies so that all commercial actors are treated the same. Modern and transparent institutions that encourage accountability and good governance and ensure fair and transparent rules of the game must be put in place.

From a business perspective, trust in government is a vital factor in the decisions enterprises make, especially the decision to invest or to expand operations. This trust is achieved through consistency over time in the approaches that governments take, in terms of devising and implementing policy.[116]

Good governance is required in equal measure by both the public sector and the private sector. Corporate governance structures have historically been weak across the region. A weak judiciary and a proliferation of state-owned companies have allowed the situation to go unchanged. The patronage system whereby the public sector is used as a vehicle for generating clientelism has to stop. The networks of vested interests and privilege have to be broken down. All parts of society must have access to economic opportunities through fair, transparent, and competitive processes.

Increase efforts for more efficient and more equitable distributive mechanisms

Social protection systems should be carefully designed to ensure that the most vulnerable in society are protected through improved targeting. More targeted social protection systems would help free up funds for spending on areas like infrastructure, education, and health while laying the foundations for inclusive growth. In the past redistributive systems were often inefficient and poorly focused. Governance and improved targeting of social protection expenditures is critical. Governments should make clear commitments to improve how current systems are run and follow through on them.

While a great number of countries across the entire region have expanded their social insurance schemes – mostly pensions – beyond the civil service, this has been done in a fragmented and unsatisfactory manner. Legal and actual coverage remains limited. Adequate coverage extension is only likely if efforts go beyond providing traditional social insurance. Governments should also target informal workers and those in the formal labour force working under precarious conditions. A variety of responses needs to be promoted. Social security instruments can come from a range of different suppliers – all of which have comparative strengths and weaknesses. These efforts and initiatives should be seen as complementing efforts to increase the public supply of social security instruments.

While pension schemes currently benefit from favourable demographics, rapid population ageing will in time put considerable pressure on fiscal spending. It is therefore critically important to broaden the tax base and make it more equitable and fair.

The specific role of private sector organizations in policy dialogue

In terms of policy direction, in order to create an inclusive model of development for the Arab region, the first conclusion is that "more of everything should be done better". But policy-makers need more guidance on what areas need most urgent attention and would have the greatest impact, and should therefore be priorities. The private sector, through its representative organizations, can and should provide such guidance.

Harnessing the power of social and policy dialogue and providing expert inputs and ideas for good policy-making would provide a critical foundation for meeting the employment challenge in the Arab world. But policy analysis needs to be placed on a rigorous footing.

Evidence-based policy-making – whereby all elements that can impact on a given policy choice are explored – is vital. Sound decisions can then be made. Across the Arab world, data limitations present a serious obstacle to evidence-based policy-making. The absence of statistics makes monitoring and evaluation of policies and programmes very difficult.

Effective dialogue with the business community through robust, genuinely representative organizations is a critical ingredient, not only with respect to job creation, but also in the future economic progress of states throughout the Arab world.[117] Well-functioning private sector representative organizations should be the link between enterprises and government and between the micro and the macro levels.[118]

At the macroeconomic level, chambers and employers' organizations (EO's) have an important role to play as sources of marketplace information for government in its policy-making endeavours. They are able to identify constraints on enterprise growth and economic opportunities and exert pressure to create or improve public goods, such as infrastructure, the availability of physical and human capital, information technology and finance. This would reduce policy uncertainty, which adversely affects business decisions and investment. At the microeconomic level, chambers and EOs can play a critical role in improving company and sectoral performance and raising productivity.

However, in many countries in the region significant adjustments will be required to enable existing chambers and EOs to meet the many developmental challenges, in particular with respect to their ability to provide inputs into policy-making through evidence-based advocacy and to engage with other stakeholders such as CSOs and unions.

The representative national body of the private sector needs to signal clearly that the past situation, in which certain parts of the private sector were privileged by policies and benefited from distortions, is over. The private sector needs to signal that it is an agent for change.[119] It should support broader and more diverse business networks that can reach out to smaller enterprises outside capital cities and make linkages between large and smaller businesses. This is critical for chamber and EO agendas, and indeed for mitigating the socio-economic exclusion that lies at the root of many conflicts.[120]

Recommendations for chambers and EOs in the region

Reinforce the policy role: In many cases governments in the region do not know how to craft policies effectively because they do not have enough information to make informed choices. Chambers and EOs should serve as the bridge between the private sector and public officials. For example, markets do not coordinate skills very well, so it is up to chambers and EOs to give more and higher quality information to governments in order to increase the effectiveness and efficiency of training. However, more than just providing information, chambers and EOs should be interpreting the information and then packaging it in a way that meets the needs of the business community.

Inclusive organizations: If chambers and EOs are genuinely able to speak for all sectors of the business community and all types of enterprises large and small, governments and other key stakeholders are more likely to identify and adopt the right type and level of policies.

Reaching out: Civil society organizations, including trades unions, have acquired increased credibility with the public through the unrest of 2011-2012. Chambers and EOs need to engage with such actors if they are to succeed in influencing public policy in support of growth and prosperity.

Associations need to be visible: Effective use of the media, including television, radio and social networking tools, is crucial for communicating positions and acquiring information.

Credibility is critical: In the present environment governments are looking for credible information in order to create policies that deliver on growth and jobs. Chambers and EOs can offer such credibility, but only if they are a

truly representative voice for business, independent of all other influences, and can thus establish a reputation for reliable and robust information and analysis. They need to intervene at a political level while remaining non-political, and should not be reluctant to address democratic issues when necessary.

The challenges set out in this report are stark, and will require major shifts in policy. It is nonetheless essential to unleash entrepreneurial potential by providing a level playing field, supplying information, and raising awareness, as enterprises can be a catalyst for fast growth of the private sector and for creating wealth, new employment opportunities, fairer distribution of wealth and taking better advantage of opportunities offered by international markets.

The ILO and other UN agencies need to provide governments and social partners across the region with the expertise and guidance they need to bring about the enabling environments capable of producing productive, quality employment through enterprise policies.

In any new or emerging dispensation the "reform window" is short. Citizens expect reform and change now – even if the change is unpopular. Doctors speak of the "golden hour" – the hour after major injury when treatment is critical.[121] In the Arab world we are now living in that golden hour. The time for change is now.

Endnotes

Chapter 1: Output & employment growth

1 Ahmed and Guillaume (2012).

2 Dardari *et al* (2012).

3 Of course, some of the lack of growth in per capita incomes in the GCC is due to the continuing increase in the number of migrants.

4 The significance of the relatively high value of employment-to-output elasticity should not be overstated in a context where informality plays an important role. In the presence of rapidly increasing labour supply, it is not surprising to find high employment growth, to some extent irrespective of output growth. This is because in the end jobseekers need to be employed somewhere, and, if they end up in the informal economy, their contribution to output growth will be understated. Under such labour surplus conditions, changes in the labour market take place mainly through low quality of jobs and employment at low wages.

5 UNDP (2011a).

6 See World Bank (2007a).

7 Amin *et al* (2012).

8 In addition to a move towards privatization of social services, substantial fiscal outlays were dedicated to untargeted subsidies, while expenditure on the armed and security forces has been the highest in the world, at around 5.3 per cent of GDP, compared to a world average of 2.5 per cent (Background Paper on "Macro-economic Conditions and Labour Market Implications"). Moreover, the Middle East and North Africa region has the largest share of refugees and asylum seekers among immigrants (65 per cent), against a global average of 8 per cent. The share of refugees in the migrant population was 15 per cent in low-income countries, compared with 2 per cent in high-income OECD countries. See World Bank (2011).

9 See Chapter 5 on Social Protection.

10 IILS (2011b); Ahmed and Guillaume (2012).

11 *Ibid.*

12 In 1975 there were fewer migrant workers in the GCC than there were nationals (1.1 million as compared to 1.7 million). In 2010 their shares were reversed and the respective numbers were 14 million as compared to 5.9 million.

13 IILS (2011a).

14 El-Mikawy (2011).

15 The Kaufmann-Kraay-Zoido Lobaton index is a subjective one that takes into account freedom of expression, freedom of association, and free media as well as the perceptions of citizens regarding the extent to which they are able to participate in selecting their government. Estimate ranges from approximately -2.5 (weak) to 2.5 (strong) performance. See See Kaufmann, Kraay and Zoido-Lobató (1999).

16 UNCTAD (2010).

17 El-Kady, Elkhafif and Khalidi (2012).

18 See Chapter 2 and Montenegro and Hirn (2009).

19 World Bank (2008a).

20 See World Bank (2011).

21 Docquier, Johansson de Silva and Marfouk (2010).

22 Social protection measures are discussed separately in Chapter 5.

23 In more precise terms, ILO considers the basis of decent employment to be certain minimum conditions for pay and employment, social protection, labour standards and social dialogue. These areas are inseparable, interrelated and mutually supportive, although they can be pursued as per country conditions and priorities to be achieved through the application of international labour standards.

24 ILO (2010b).

25 See Islam and Veric (2011).

26 However, there has been some reconsideration of this thesis towards a more balanced approach to capital controls. See IMF (2011a).

27 Aidt and Tzannatos (2006).

28 Noland and Pack (2007).

29 See Chapter 3.

Chapter 2: Population, labour supply, employment and unemployment

30 In the GCC this decline is partly due to immigration, as most migrant workers are above the age of 25. The unpredictability in future immigration is the reason why figure 2.2 does not include any projections after the current year.

31 See Appendix, also for a breakdown of these statistics by subregion. The data refer to 18 Arab states that cover 96 per cent of the total population in the 22 Arab countries. The countries included are Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, oPt , Qatar, Saudi Arabia, Sudan, Syria, Tunisia, UAE and Yemen.

32 Employment segregation is measured with the Duncan index. See Tzannatos (1999).

33 Rubery (2012).

34 Bloom and Williamson (1997).

35 Young (1995).

36 Blackden and Bhanu (1999).

Chapter 3: Quality of jobs and standards of living

37 The GCC development model has distinct characteristics in terms of growth and employment that is oil-based and relies more on expatriate labour in the private sector than on national workers. This was examined in Chapter 2.

38 If poverty is defined at $1.25/day the reduction comes to 51 per cent.

39 The information is derived from a study of 69 countries nearly three quarters of which experienced a decline in the wage share. IILS (2011a).

40 The decline in poverty elsewhere was faster than in the Arab region, but started from a higher level and is disproportionately affected by the fast economic growth in China.

41 UNDP (2011a). The regional poverty rate is calculated from the following countries: Algeria (1994-2000), Comoros (1995-2004). Djibouti (1996-2002), Egypt (1990-2008), Jordan (1990-2007), Lebanon (1997-2005), Mauritania (1996-2004), Morocco (1990-2007), oPt (1998-2008) Syria (1997-2007), Tunisia (1990-2005) and Yemen (1998-2006).

42 One reason for the low levels of poverty and inequality reported in the Arab states is the presence of informal community-based charitable organizations.

43 Bibi and Nabli (2010).

44 See UNDP (2011a).

45 Gallup World Poll Database.

46 Salehi-Isfahani, Belhaj Hassine and Assaad (2011).

47 Galal and Selim (2012).

Chapter 4: Education and skills

48 The average literacy rate is 83 per cent in the group consisting of Iraq, Mauritania, Sudan and Yemen.

49 Sulieman (2012).

50 UNDP (2003 and 2011a), World Bank (2008a), UNESCO and ERF.

51 World Bank (2007).

52 However, supply-side explanations can be very important with respect to gender differences. For example, more females are enrolled in education, especially at secondary and university levels, than boys, and females do much better in examinations than males.

53 World Bank (2008a).

54 Tunisia and Egypt are the two countries where the economic reforms were most prominent in the last couple of decades. Lebanon has one of the highest private shares in education spending in the world.

55 The education index is calculated as *2/3 adult literacy index + 1/3 gross enrolment index* where (a) adult literacy index = (actual literacy rate – 0)/(100 – 0) and (b) Gross enrolment index = (actual gross enrolment rate – 0)/(100 – 0). The zero represents the minimum possible rate and 100 the maximum possible rate. See UNDP (2011b).

56 The average loss represents the change in the education index of each country when adjusted to inequality in distribution of years of schooling based on data from household surveys.

57 Fisch (2007) presented at Sony annual 2009 shareholder meeting-Innovation America.

58 *Ibid.*

59 The Middle East has higher unemployment rates than North Africa (14. 2 per cent versus 9.6 per cent). Enrolment in TVET in the Middle East accounts for 19 per cent. In North Africa it is 7 per cent. See Sulieman (2012) and UNESCO (2011).

60 Youssef, Zein and Soueid (2011).

61 Hamdan and Gaspard (2003).

62 UIS (2011).

63 General Secretariat of Development Planning (Qatar) and World Bank (2005).

64 By contrast, the public sector offers a lot of in-house training, including in basic areas typically entrusted to the education sector, such as language and basic numeracy, as many recruits have not been hired on merit but because of the expected obligation of government to provide employment, even when not needed in business terms.

65 This is not only a phenomenon in the oil-rich countries. As discussed in Chapter 1, employers in some other countries (such as Lebanon and Jordan) have access to and employ large numbers of migrant workers, although their local education systems produce more students than can be absorbed locally.

66 See Sulieman (2012).

67 World Bank (2008a).

68 A more detailed empirical analysis is required to assess the relative influence of labour supply and labour demand upon employment/ unemployment in the region.

69 The Arab region generally has low private returns on education, averaging 5.5%. By comparison, rates of return in lower and middle-income economies average 9.4%. Moreover, over the past two to three decades, rates of return on education seem to have been declining within the Arab region as evidenced by multiple-year observations, for example, in Morocco (from 16% to 7.9%) and Tunisia (from 8% to 4.4%). See World Bank (2008a).

70 The low return on higher education may also be due, where applicable, to relatively high minimum wages. This remains an under-researched area.

Chapter 5: Social protection

71 ILO (2009).

72 This report focuses on post-2010 developments in the area of social protection. For post-2008, see Tzannatos (2009) and Behrendt (2009).

73 Robalino et al (2005).

74 *Ibid.*

75 IMF (2008).

76 The Arab countries above the regression line are Yemen, Lebanon, Morocco, Syria, Tunisia, Egypt, and Libya. Those below are Algeria, Jordan and Iraq.

77 Rubery (2012).

78 *Ibid.*

79 With the GCC economies having one of the highest per capita consumption in the world. Economist Intelligence Unit (2010).

80 UNEP/ILO (2012) Abaza et la. (2011).

81 After the global financial crisis in 2008, Egypt conducted pension restructuring, Jordan introduced indexation of pensions to inflation and Tunisia reduced social security contributions for companies affected by the financial crisis. Income support to the unemployed was introduced in some GCC states after the 2008 financial crisis. For example, in Kuwait, nationals laid off by private companies received 60% of the salaries paid by former employers, in addition to a cost-of-living payment for a period of up to 6 months. See Tzannatos (2009).

82 Saif and Choucair (2009).

83 UNDP (2011a).

84 Orazem, Sedlacek and Tzannatos (2009).

Chapter 6: Prospects and policy directions

85 Verick (2010); World Bank (2007).

86 Forecasts for required growth of jobs vary significantly depending on the expected increase in labour supply (especially women's labour force participation rates). They also vary depending on whether they assume that unemployment stays at current levels or would need to decline. OECD (2011) states "in order to remain at current unemployment levels, 25 million jobs will need to be created over the next decade, requiring an average annual growth rate of 5.5 per cent, one point above the average growth rate of the last decade" (p. 43). The World Bank (2011) estimated that the region would need twice as many jobs – at least 50 million. This would require annual region-wide average growth rates of 6.5 per cent and at much as 7.5 per cent for non-oil based countries. Chamlou (2008) predicted that 54 million jobs would need to be created over the next 15 years just to absorb new entrants and 68 million new jobs to eliminate unemployment. Earlier, the IMF (2007) earlier estimated that the Arab region needs to create close to 100 million new jobs by 2020 to absorb the currently unemployed and the new labor force entrants. To achieve that goal would probably require sustained real GDP growth of about 6-7 per cent a year, about double the average of the late 1990s.

87 Ha et al (2010).

88 UNDP (2011a).

89 *Ibid.*

90 Amin et al (2012) .

91 UNCTAD (2012).

92 For such results see, among others, Ali, A.A.G. (2004).

93 Amin et al. (2012).

Chapter 7: Workers' perspectives

94 Contributed by Esther Busser, Assistant Director, ITUC Geneva Office. International Trade Union Confederation

95 ITUC (2012), Comparative study of the labour legislation in 8 Arab countries: The protection of working women's rights.

96 World Bank (2007b).

97 *Ibid.*

98 UNIDO (2011).

99 Reinert (2009) and Chang (2002)

100 Reinert (2007).

101 See also Amsden (2007).

Chapter 8: Employers' perspectives

102 Contributed by Maher Al-Mahrouq, Director General of the Jordan Chamber of Industry. Inputs for this chapter were provided by colleagues from the International Organization of Employers and the ILO Bureau for Employers› Activities.

103 ILO/WTO (2007).

104 IMF (2011b).

105 World Bank (2009) page 64.

106 World Bank (2005).

107 World Bank (forthcoming).

108 World Bank/IFC (2011).

109 According to the World Bank investment climate assessment surveys, labour skills emerge as a major constraint to business creation for 37 per cent of businesses in North Africa versus 24 per cent In Latin America, 14 per cent in Eastern Europe and Central Asia and 6 per cent in East Asia. World Bank (forthcoming).

110 The region has the lowest rates of firm-level training. See chapter 4, as well as World Economic Forum (2011).

111 ETF (2009).

112 World Bank (forthcoming).

113 Bunglawala (2011) page 35-36.

114 *Ibid.*

115 A poll of 3,900 citizens of six Arab countries conducted in late 2005 identified "ending corruption and nepotism" as the third most important concern of citizens after "expanding employment opportunities" and improving the health care system". The countries covered and the respective sample sizes are Egypt (800), Jordan (500), Lebanon (500), Morocco (800), Saudi Arabia (800), and the United Arab Emirates (500). IBOPE Inteligência, "Attitude of Arabs: 2005".

116 ICC and IOE (2007).

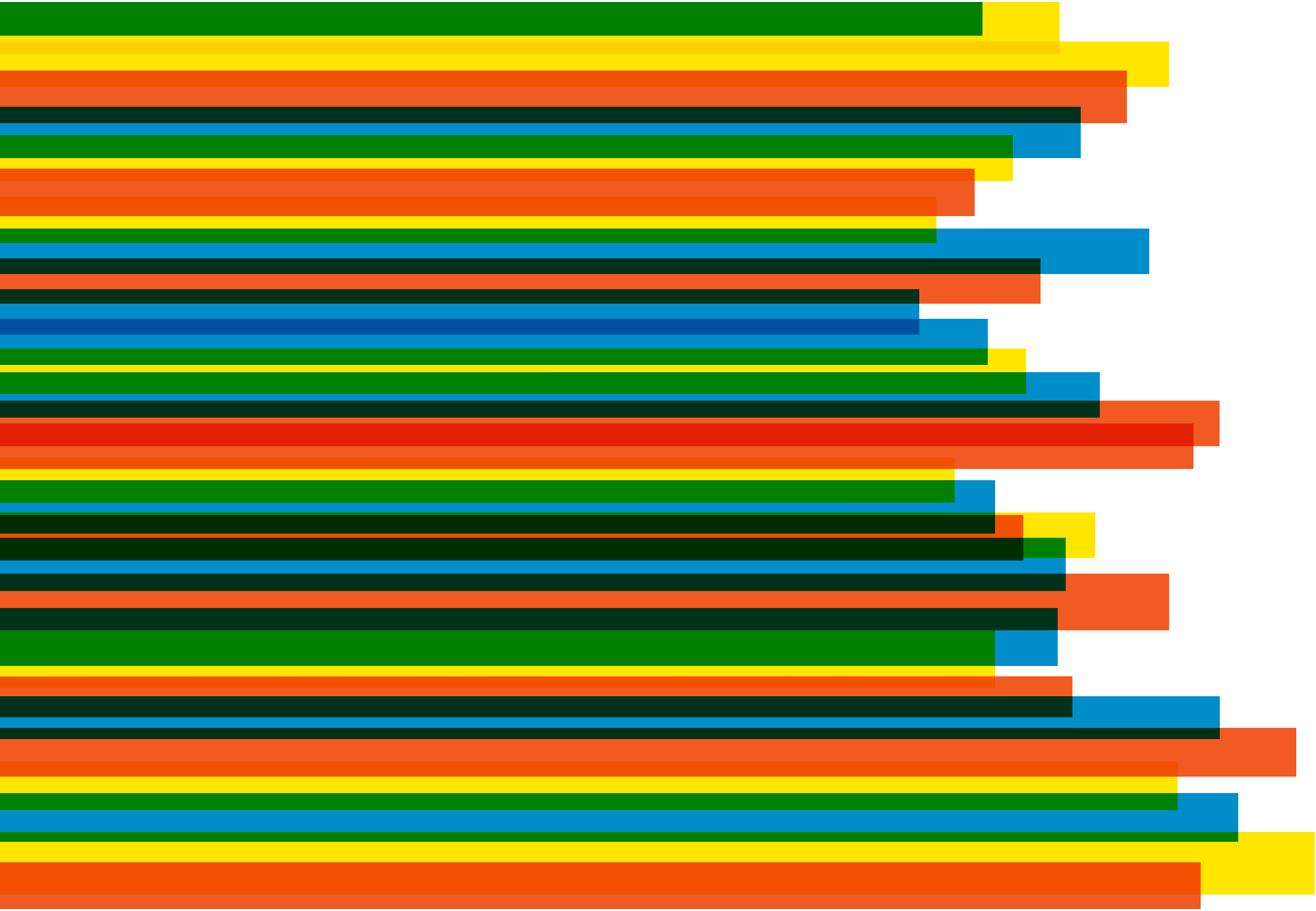
117 The existence of an independent civil society was the most important factor in determining whether countries in Central and Eastern Europe were able to make a quick and successful economic transition after the fall of the Berlin Wall. Shkolnikov and Nadgrodkiewicz (2010).

118 Business Europe Note (2010).

119 See key lessons from Alexander, Gündüz and Subedi (2009).

120 Banfield, Gunduz and Killick (2006) p. 7.

121 Mendelson-Forman and Mashatt (2007) pp. 2-3.



Annex: Methodology and country groupings

Annex
Methodology and country groupings

This report is based on an empirical investigation of the demand for and supply of labour that determine employment and the institutional framework that determines decent work, especially social protection and social dialogue as part of citizens' voice and government accountability. The material it contains is drawn from a series of background papers that were specially commissioned from various organizations, the findings of which were synthesized with the aid of additional evidence in the main body of this report.

The report focuses on developments that took place mainly in two decades up to 2010, when economic reforms were initiated in many Arab states. It tries to identify common outcomes and issues in the economy and the labour market in the Arab region, but also pays attention to the peculiarities of Arab states. In this respect, it separates the Arab region into three subregions based on the patterns that emerged from the empirical findings (see Text Box A1).

Despite widely perceived generalizations, there is significant intra-regional variation in labour market structure and employment outcomes. This report examines the structure of and trends in Arab labour markets at subregional level and derives some generalizations that apply more or less to the Arab region as a whole.

The first subregion is the Middle East is more narrowly defined than elsewhere. In this report it includes Lebanon, Iraq, Jordan, Occupied Palestinian Territory, Syria and Yemen. In other words, this report excludes the GCC states from the Middle East subregion, as well as the Islamic Republic of Iran, which is commonly included in the aggregate statistics of the Middle East and more broadly in the Middle East and North Africa (MENA) aggregates.

The second subregion is the GCC states: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. In these countries the short-term fiscal constraints are less binding while their labour markets rely disproportionately on migrant workers, while short-term fiscal constraints are not apparently binding.

The third subregion is North Africa, which for the purposes of this report, includes Algeria, Egypt, Libya, Morocco, Tunisia and Sudan. Thus, the report leaves out four other Arab states, namely Comoros, Djibouti, Mauritania and Somalia because data are generally lacking. The 18 Arab countries included in this group cover more than 96 per cent of the Arab region's population.

Although countries in the Arab region have much in common, the differences between them are in many respects greater than average differences between the Arab region and other regions. This applies to country differences with respect to various characteristics now, as well as their underlying trends. For example, some Arab countries have significant oil and gas reserves, while in others known reserves are almost exhausted, and still others have none. Some have abundant water resources and food security through local production or high incomes, while others have very little. In some countries, agriculture is still an important part of the economy, while in others the services sector is dominant. The countries of the region also differ widely in terms of population size and per capita income. Some countries have significant trade links with Europe, while others are more oriented towards markets in other regions.

Similarly, the underlying dynamics vary significantly between Arab countries. Leaving aside differences in exposure to geopolitical influences, the home-grown political situation is evolving in some (ranging from democratic transition to conflict), while others are still at risk of in a fragile post-conflict stage. Moreover, fertility is low in some countries but still high in others and, as a result, different countries are at different stages of demographic transition that is a key determinant for labour supply and social security systems. Related to this is the fact that some countries rely on immigration to address labour shortages while in others emigration is still the outcome of labour demand falling far short of labour supply.

In general, the Arab region suffers from a lack of reliable statistics. This deficiency extends from labour market statistics (especially wages) to more complex ones such as poverty and inequality. The paucity of statistics makes the assessment of the situation difficult and can lead to potentially misleading evaluation of policies and programmes. This is particularly relevant during periods of rapid change, especially adverse change, such as crises.

Additional challenges arise from the different statistical practices and concepts used by different countries in the region, as well as the varying composition of subregional groupings of the 22 Arab countries used by different analysts and organizations. In some cases, regional and subregional aggregates and averages are based on only a fraction of the countries they are supposed to refer to, and

sometimes this fraction represents less than half of the total number of countries falling into that category.

An innovation of this report is that in many cases it adopts a country-based aggregation as opposed to the conventional population-weighted aggregation. This is because the report seeks to assess country performance rather than the position of the average Arab citizen. This means that the subregional and regional statistics it contains are not unduly influenced by the dominant population size of a few countries, such as Saudi Arabia in the GCC group or Egypt in the North Africa group. The difference between these two approaches can be shown with reference to the GCC: The population-weighted labour force participation rate of females aged 15-64 in the GCC is 25.9 per cent but the country average is 38.3 per cent that is nearly 50 per cent higher than the weighted average.

Finally, the report goes to great lengths to separate the influence of the student population in labour statistics. Labour statistics typically refer to the working age population (15-64). Failure to exclude students from this group can lead to misleading conclusions. First, it certainly affects the youth labour force participation rate. If students are included, the country average youth labour force participation rate is only 35.2 per cent but increases to 53.3 per cent if students are excluded. This has important implications: failing to take the education dimension into account leads to inaccurate estimates of the youth inactivity rate and can lead to misplaced policies to counter its negative impact.

Text box A1: A note on the regional country groupings and aggregate statistics

Average statistics for the region are reported for different groupings of countries and can be based on different definitions and estimation procedures. These are explained below.

Regional groupings usually refer to:

MENA, which includes the six GCC states, Algeria, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, occupied Palestinian territory, Sudan, Syria, Tunisia, Yemen, plus Iran.

Middle East, which includes the six GCC states, Iraq, Jordan, Lebanon, occupied Palestinian territory, Syria, Yemen, plus Iran. Statistics for the Middle East in this report exclude Iran.

North Africa, which includes Algeria, Egypt, Libya, Morocco, Sudan and Tunisia.

GCC, which includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

Regional averages are typically calculated on the basis of the relevant total population for the region rather than country averages. For example, the regional labour force participation rate can be estimated in two ways. One is by dividing the total number of employed and unemployed in the Arab states by the total working population. Alternatively, the regional labour force participation rate can be calculated as simply average of country rates.

The implication of this is shown in the table: the few countries with large populations influence the regional averages disproportionately, especially at subregional level (for example, Syria and Iraq in the Middle East, Egypt and Algeria in North Africa, and Saudi Arabia in the GCC). The influence of Iran is also obvious, especially when it is included in results that are reported separately for the Middle East subregion, as is also the case of Saudi Arabia when reporting data for the GCC.

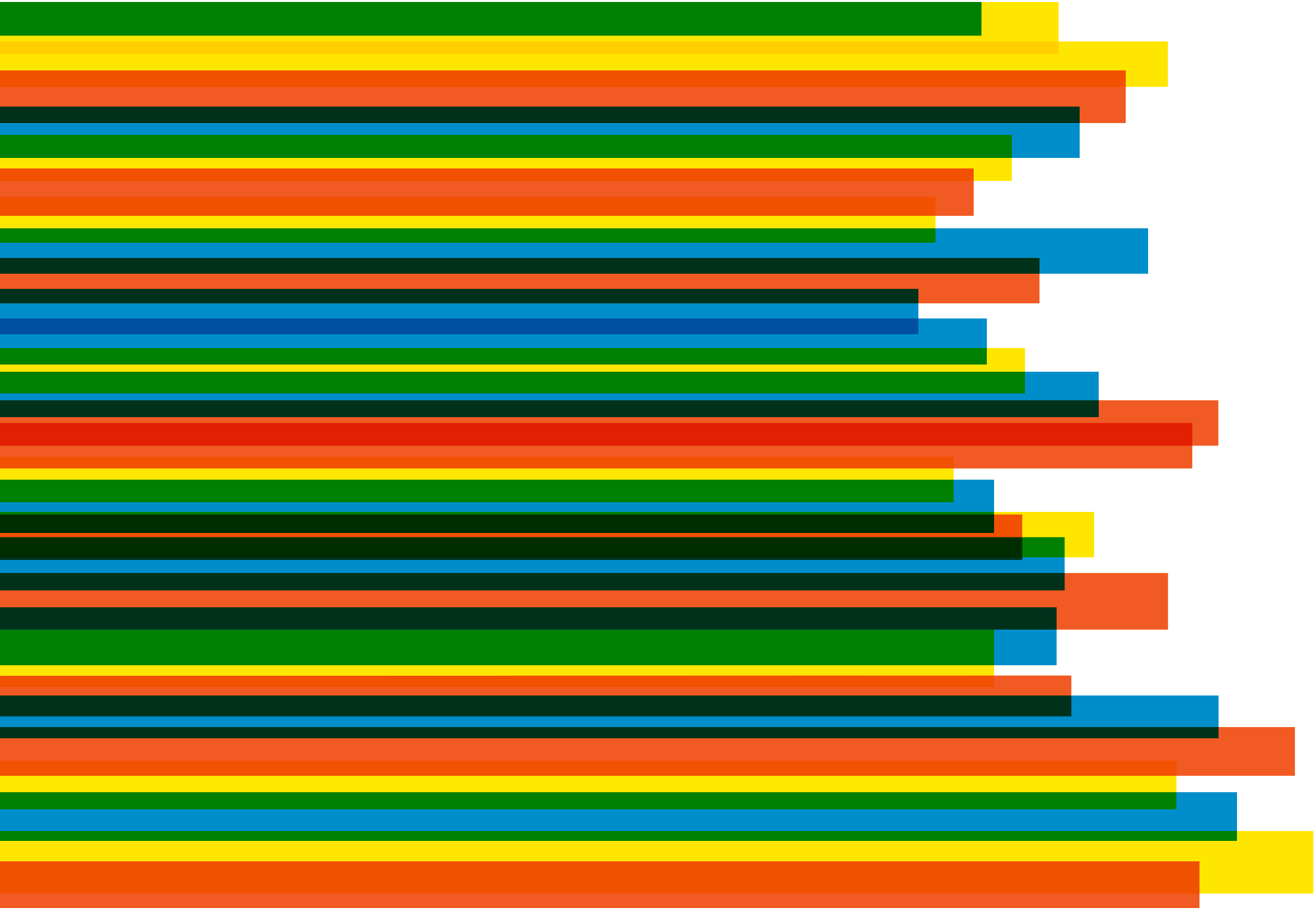
The last column in the table is added to show the significant effects of omitting students from the inactive population when estimating labour force participation rates.

In the case of averages, the report states whether they are based on population-weighted or country-based averages.

Female estimates of female youth labor force participation rate (%) using alternative groupings of Arab states and methods of aggregation , 2010

Alternative Definitions	Based on			Difference %
	Population Weighted	Country Averages		
	Including Students		Excluding Students	
	(1)	(2)	(3)	(3)/(1)
North Africa	19.5	20.1	31.6	3%
Middle East	12.3	18.8	31.4	53%
Middle East (excl Iran)	12.9	19.3	32.6	50%
Middle East (excl. Iran and GCC)	12.7	12.5	19.2	-2%
GCC	13.8	26.0	46.0	88%
MENA (incl. Iran)	16.2	19.2	29.9	19%
MENA excl. Iran = Arab States	17.0	19.5	32.3	15%

Sources: ILO Key Indicators of the Labour Market (KILM) and UNESCO Institute of Statistics (UIS) Databases.



Appendix

Appendix

List of Tables

Table A1: Population and labour force 135
Table A2: Youth labour force and labour force participation rate 136
Table A3: Number of students, inactive youth and inactivity rate by gender 137
Table A4: Number of employed and unemployed (total and youth), (000) 138
Table A5: Total and youth unemployment rates by gender, % 139
Table A6: Country grouping 141
Table A7: Population by country and sub-region, 1990-2010 142
Table A8: Arab states population composition 143
Table A9: Labour force participation rate by country and sub-region, 2010 144
Table A10: Weighted and un-weighted LFPR and unemployment rate, 2010 145
Table A11: Unemployment rate by country and gender, 2010 146
Table A12: Growth in GDP per capita (USD $) and PPP, 1990-2010 147
Table A13: Real GDP growth rate by region, 2000-2015 147
Table A14: Comparison of key indicators between North Africa and Middle East 148

Table A1: Population and labour force

	YEAR	POPULATION (000)	YOUTH POPULATION (000)	LABOUR FORCE			TOTAL LFPR (%)		
MIDDLE EAST				Total (000)	% M	% F	M	F	Total
IRAQ	2009	32,105	6,438	8,064	80.6	19.4	75.0	18.0	46.5
JORDAN	2010	6,113	1,318	1,923	77.0	23.0	73.9	23.3	49.3
LEBANON	2007	3,759	731	1,228	74.9	25.1	66.9	21.1	43.4
SYRIA	2009	20,125	4,218	5,442	85.2	14.8	71.7	13.0	43.0
OPT	2010	4,109	897	976	80.3	19.7	66.8	14.7	41.1
YEMEN	2010	23,154	5,368	5,634	77.1	22.9	68.0	20.7	44.7
MIDDLE EAST	**MOST RECENT**	**89,365**	**18,971**	**23,267**	**79.2**	**20.8**	**70.4**	**18.5**	**44.7**
NORTH AFRICA									
ALGERIA	2010	35,978	7,375	10,811	83.1	16.9	74.1	15.3	45.0
EGYPT	2010	78,728	17,752	26,180	76.9	30.0	78.0	24.2	51.5
LIBYA	2009	6,263	1,244	2,369	77.5	22.5	78.9	24.7	52.8
MOROCCO	2010	31,894	6,321	11,588	73.0	27.0	74.7	25.9	49.6
SUDAN	2009	28,665	5,599	7,389	74.2	24.5	73.0	23.0	48.0
TUNISIA	2010	10,531	1,990	3,769	73.2	26.8	69.5	24.8	46.9
NORTH AFRICA	**MOST RECENT**	**192,059**	**40,282**	**62,107**	**76.3**	**24.6**	**74.7**	**23.0**	**49.0**
SUB-SAHARAN AFRICA									
COMOROS[1]	2009	716	133	333	53.5	46.5	85.4	73.7	79.6
DJIBOUTI	2009	818	187	387	55.8	44.2	78.7	61.5	70.1
MAURITANIA	2008	3,162	619	865	67.8	32.2	74.6	34.4	52.2
SOMALIA[2]	2002	6,799	1,307	2,056	58.5	41.6	66.8	49.2	58.2
SUB-SAHARAN AFRICA	**MOST RECENT**	**11,495**	**2,247**	**3,640**	**58.9**	**41.1**	**76.4**	**54.7**	**65.0**
GCC NATIONALS									
BAHRAIN	2010	568	115	185	66.5	33.5	67.1	34.4	50.9
KUWAIT	2011	1,164	229	382	54.1	45.9	64.2	49.4	56.4
OMAN	2010	2,018	540	733	76.6	23.4	87.6	27.0	57.4
QATAR	2010	..	..	72	64.7	35.3	63.6	34.1	50.0
SAUDI ARABIA	2009	18,543	3,864	4,287	83.5	16.5	64.3	12.6	38.4
UAE	2009	933	221	255	69.2	30.7	65.3	28.5	40.2
GCC NATIONALS[3]	**MOST RECENT**	**23,452**	**5,015**	**5,913**	**69.1**	**30.9**	**68.7**	**31.0**	**48.9**
GCC NON-NATIONALS									
BAHRAIN	2010	666	71	526	83	17	98.2	58.7	88.2
KUWAIT	2011	2,123	252	1,809	74.9	25.1	96.1	66.2	86.3
OMAN[4]	2009	1,156	133	979	90.3	9.7	97.1	57.1	90.9
QATAR [5]	2010	1,358	205	1,202	89.2	10.8	98.4	57.9	91.5
SAUDI ARABIA [6]	2009	8,590	630	4,324	86.7	13.3	95.0	39.8	80.1
UAE	2009	7,316	773	5,059	88.7	11.3	94.1	48.0	84.9
GCC NON-NATIONALS		21,209	2,064	13,899	85.5	14.5	96.5	54.6	87.0
TOTAL ARAB REGION		**337,580**	**68,578**	**108,826**	**74.9**	**25.3**	**77.4**	**35.0**	**58.5**
EXCL. GCC NON-NATIONALS		**316,371**	**66,514**	**94,927**	**72.0**	**28.3**	**72.2**	**29.7**	**50.7**

Notes and sources: see pp. 135-136

Table A2: Youth labour force and labour force participation rate

	YEAR	LABOUR FORCE			LFPR (%)			LFPR EXCLUDING STUDENTS (%)		
MIDDLE EAST		**TOTAL (000)**	**% M**	**% F**	**M**	**F**	**TOTAL**	**M**	**F**	**TOTAL**
IRAQ	2009	1,519	87.3	12.7	39.2	5.9	22.8	49.5	7.1	28.1
JORDAN	2010	357	80.1	19.9	42.0	11.1	27.1	59.2	16.4	39.8
LEBANON	2007	227	70.7	29.3	41.9	18.1	30.7	78.8	39.3	60.8
SYRIA	2009	1,099	87.8	12.2	44.3	6.6	26.1	55.4	8.4	33.0
OPT	2010	261	83.7	16.3	47.7	9.7	29.1	51.8	10.7	31.7
YEMEN	2010	1,170	70.8	29.2	29.7	13.2	21.8	37.3	15.0	26.0
MIDDLE EAST	**MOST RECENT**	**4,634**	**80.1**	**19.9**	**40.8**	**10.8**	**26.3**	**55.3**	**16.1**	**36.6**
NORTH AFRICA										
ALGERIA	2010	2,159	84.6	15.4	48.8	9.2	29.2	66.5	14.8	43.2
EGYPT	2010	6,831	66.3	30.9	49.8	24.4	38.5	64.9	31.7	50.1
LIBYA	2009	453	74.5	25.5	76.1	37.3	57.6	91.4	46.8	73.5
MOROCCO	2010	2,297	74.0	26.0	53.2	19.1	36.3	65.7	23.5	44.8
SUDAN	2009	1,680	70.9	29.1	44.0	16.9	30.0	56.4	21.4	38.2
TUNISIA	2010	622	68.3	31.7	41.7	20.3	31.2	65.6	42.0	55.7
NORTH AFRICA	**MOST RECENT**	**14,042**	**73.1**	**26.4**	**52.3**	**21.2**	**37.2**	**68.4**	**30.0**	**50.9**
SUB-SAHARAN AFRICA										
COMOROS[1]	2009	81	53.5	46.5	64.2	56.8	60.5	91.6	73.2	82.0
DJIBOUTI	2009	95	55.1	44.9	55.6	46.0	50.9	61.8	49.4	55.5
MAURITANIA	2008	244	62.5	37.5	48.3	30.3	39.5	61.2	36.4	48.7
SOMALIA[2]	2002	809	58.0	42.0	71.7	52.0	61.9	71.7	52.0	61.9
SUB-SAHARAN AFRICA	**MOST RECENT**	**1,229**	**57.3**	**42.7**	**60.0**	**46.3**	**53.2**	**71.6**	**52.8**	**62.0**
GCC NATIONALS										
BAHRAIN	2010	27	66.4	33.6	30.2	16.1	23.4	83.5	66.8	77.0
KUWAIT	2011	56	62.5	37.5	30.7	18.4	24.5	99.9	83.5	93.1
OMAN	2010	..	..	..	..	..	..	..	..	..
QATAR	2010	13	70.0	30.0	39.6	16.9	28.3	73.1	39.6	58.3
SAUDI ARABIA	2009	518	78.7	21.3	21.3	5.6	13.4	45.4	11.3	27.6
UAE	2009	62	71.2	28.8	39.6	16.5	28.2	66.4	40.8	56.2
GCC NATIONALS[3]	**MOST RECENT**	**677**	**69.8**	**30.2**	**32.3**	**14.7**	**23.6**	**73.7**	**48.4**	**62.4**
GCC NON-NATIONALS										
BAHRAIN	2010	49	75.1	24.9	82.3	47.6	69.7	98.2	66.4	87.8
KUWAIT	2011	119	63.8	36.2	56.5	36.5	47.1	100.0	66.7	84.7
OMAN[4]	2009	..	..	..	..	..	..	..	..	..
QATAR [5]	2010	161	90.3	9.7	88.6	37.8	78.4	99.6	64.3	94.6
SAUDI ARABIA [6]	2009	186	81.5	18.5	44.2	12.0	29.5	96.4	23.8	61.5
UAE	2009	506	78.7	21.3	60.7	37.5	53.6	66.3	46.4	60.7
GCC NON-NATIONALS		**1,020**	**77.9**	**22.1**	**66.5**	**34.3**	**55.7**	**92.1**	**53.5**	**77.9**
TOTAL ARAB REGION		**21,602**	**72.5**	**27.3**	**49.7**	**23.9**	**38.1**	**71.4**	**38.4**	**56.7**
EXCL. GCC NON-NATIONALS		**20,582**	**71.3**	**28.6**	**45.7**	**21.4**	**33.9**	**66.5**	**34.8**	**51.7**

Notes and sources: see pp. 135-136

Table A3: Number of students, inactive youth and inactivity rate by gender

	YEAR	STUDENTS 15-24 (000)			NOT IN SCHOOL AND NOT IN THE LABOUR FORCE (000)			YOUTH INACTIVITY RATE EXCLUDING STUDENTS (%)		
MIDDLE EAST		**M**	**F**	**TOTAL**	**M**	**F**	**TOTAL**	**M**	**F**	**TOTAL**
IRAQ	2009	682	527	1,209	1,308	2,451	3,759	40.0	77.4	58.4
JORDAN	2010	198	205	403	197	361	551	28.9	56.7	41.8
LEBANON	2007	183	207	390	42	74	116	10.8	21.7	15.9
SYRIA	2009	433	449	882	778	1,458	2,236	35.8	71.4	53.0
OPT	2010	75	39	36	204	358	561	44.4	81.4	62.6
YEMEN	2010	566	294	861	1,395	1,942	3,337	50.0	75.3	62.2
MIDDLE EAST	**MOST RECENT**	**2,137**	**1,722**	**3,782**	**3,923**	**6,645**	**10,561**	**35.0**	**64.0**	**49.0**
NORTH AFRICA										
ALGERIA	2010	998	1,382	2,381	921	1,922	2,843	24.6	52.8	38.5
EGYPT	2010	2,114	2,002	4,116	2,452	4,546	6,805	27.0	52.5	38.3
LIBYA	2009	277	351	628	32	131	163	4.9	22.0	13.1
MOROCCO	2010	609	584	1193	886	1,945	2831	27.7	62.2	44.8
SUDAN	2009	595	604	1,199	920	1,800	2721	34.0	62.2	48.6
TUNISIA	2010	370	504	874	223	272	495	21.9	28.0	24.9
NORTH AFRICA	**MOST RECENT**	**4,963**	**5,427**	**10,390**	**5,435**	**10,616**	**15,858**	**23.4**	**46.6**	**34.7**
SUB-SAHARAN AFRICA										
COMOROS[1]	2009	20	15	35	4	14	18	5.9	20.8	13.2
DJIBOUTI	2009	9.3	6.4	15.7	32	44	76	34.4	47.1	40.7
MAURITANIA	2008	67	51	117	97	160	257	30.6	53.0	41.6
SOMALIA[2]	2002	59.6	27.4	86.9	126	286	412	19.2	43.8	31.5
SUB-SAHARAN AFRICA	**MOST RECENT**	**156**	**99**	**255**	**259**	**504**	**763**	**22.5**	**41.2**	**31.8**
GCC NATIONALS										
BAHRAIN	2010	37	42	80	3.5	4.5	8.0	6.0	8.0	7.0
KUWAIT	2011	79	90	169	0	4	4	0.0	3.6	1.8
OMAN	2010	114	107	221	..	..	..	..	..	..
QATAR	2010	11	13	24	..	..	..	..	..	..
SAUDI ARABIA	2009	1,016	971	1,987	490	869	1,359	25.6	44.6	35.2
UAE	2009	110	65	45	22	26	49	20.0	24.0	22.0
GCC NATIONALS[3]	**MOST RECENT**	**1,367**	**1,288**	**2,526**	**519**	**910**	**1,429**	**13.2**	**21.2**	**17.2**
GCC NON-NATIONALS										
BAHRAIN	2010	7	7	15	0.7	6.2	6.9	1.5	24.1	9.7
KUWAIT	2011	58	53	112	0.005	21	21	0.0	18.2	8.5
OMAN[4]	2009	..	..	..	..	..	..	..	..	..
QATAR [5]	2010	18	17	35	0.6	9	9	0.4	21.0	4.5
SAUDI ARABIA [6]	2009	157	145	302	6	110	116	1.7	38.4	18.4
UAE	2009	55	55	111	203	125	327	30.9	43.3	34.7
GCC NON-NATIONALS		**296**	**278**	**574**	**210**	**271**	**481**	**6.9**	**29.0**	**15.2**
TOTAL ARAB REGION		**8,919**	**8,814**	**17,526**	**10,346**	**18,946**	**29,092**	**20.8**	**41.5**	**30.4**
EXCL. GCC NON-NATIONALS		**8,623**	**8,536**	**16,952**	**10,136**	**18,675**	**28,611**	**24.1**	**44.5**	**34.1**

Notes and sources: see pp. 135-136

Table A4: Number of employed and unemployed (total and youth), (000)

		TOTAL		YOUTH	
	YEAR	EMPLOYED	UNEMPLOYED	EMPLOYED)	UNEMPLOYED
MIDDLE EAST					
IRAQ	2009	6,831	1,234	1,064	456
JORDAN	2010	1682	240	178	179
LEBANON	2007	1,118	110	177	50
SYRIA	2009	4,999	443	916	183
OPT	2010	675	232	160	101
YEMEN	2010	4,789	845	551	619
MIDDLE EAST	**MOST RECENT**	**20,094**	**3,104**	**3,046**	**1,588**
NORTH AFRICA					
ALGERIA	2010	9,735	1,076	1,695	464
EGYPT	2010	23,824	2,356	5,093	1,738
LIBYA	2009	1,939	430	294	159
MOROCCO	2010	10,534	1,055	1,893	404
SUDAN	2009	6,428	961	1,344	336
TUNISIA	2010	3,279	490	439	183
NORTH AFRICA	**MOST RECENT**	**55,739**	**6,367**	**10,758**	**3,284**
SUB-SAHARAN AFRICA					
COMOROS[1]	2009	288	45	63	17
DJIBOUTI	2009	178	209	29	67
MAURITANIA	2008	595	270	120	125
SOMALIA[2]	2002	1,081	974	443	366
SUB-SAHARAN AFRICA	**MOST RECENT**	**2,142**	**1,498**	**654**	**574**
GCC NATIONALS					
BAHRAIN	2010	177	8	23	4
KUWAIT	2011	368	14	51	5
OMAN	2010	661	72	..	..
QATAR	2010	69	3	11	2
SAUDI ARABIA	2009	3,838	449	313	205
UAE	2009	219	36	45	17
GCC REGION NATIONALS[3]	**MOST RECENT**	**5,331**	**581**	**444**	**233**
GCC NON-NATIONALS					
BAHRAIN	2010	526	0	49	0
KUWAIT	2011	1,774	35	114	5
OMAN[4]	2009	..	..	..	..
QATAR [5]	2010	1,199	3	160	0.5
SAUDI ARABIA [6]	2009	4,310	14	182	4
UAE	2009	4,938	121	464	42.2
GCC NON-NATIONALS		**12,747**	**173**	**969**	**52**
TOTAL ARAB REGION		**96,054**	**11,724**	**15,871**	**5,731**
EXCL. GCC NON-NATIONALS		**83,307**	**11,551**	**14,902**	**5,680**

Notes and sources: see pp. 135-136

Table A5: Total and youth unemployment rates by gender, %

	YEAR	TOTAL			YOUTH		
MIDDLE EAST		M	F	TOTAL	M	F	TOTAL
IRAQ	2009	14.3	19.6	15.3	30.1	29.7	30.0
JORDAN	2010	10.4	21.7	12.5	48.1	51.0	50.1
LEBANON	2007	8.8	10.2	9.0	22.3	21.5	22.0
SYRIA	2009	5.7	22.3	8.1	12.1	43.0	16.7
OPT	2010	23.1	26.8	23.7	36.8	49.6	38.8
YEMEN	2010	12.6	23.1	15.0	52.2	54.6	52.9
MIDDLE EAST	**MOST RECENT**	**12.5**	**20.6**	**13.7**	**33.6**	**41.6**	**35.1**
NORTH AFRICA							
ALGERIA	2010	8.1	19.1	10.0	18.7	37.5	21.5
EGYPT	2010	4.9	22.6	9.0	16.8	53.9	25.4
LIBYA	2009	..	..	18.2	..	..	35.1
MOROCCO	2010	8.9	9.6	9.1	18.1	16.1	17.6
SUDAN	2009	9.0	23.0	13.0	16.0	32.0	20.0
TUNISIA	2010	10.9	18.9	13.0	..	..	29.4
NORTH AFRICA	**MOST RECENT**	**8.4**	**18.6**	**12.0**	**17.4**	**34.9**	**24.8**
SUB-SAHARAN AFRICA							
COMOROS[1]	2009	9.2	19.2	13.5	13.8	31.3	21.3
DJIBOUTI	2009	..	..	54.0	..	..	70.0
MAURITANIA	2008	23.9	44.0	31.2	44.1	66.7	51.0
SOMALIA[2]	2002	..	..	47.4	33.3	49.3	45.3
SUB-SAHARAN AFRICA		**16.6**	**31.6**	**36.5**	**30.4**	**49.1**	**46.9**
GCC NATIONALS							
BAHRAIN	2010	2.0	9.0	4.3	7.6	27.5	14.3
KUWAIT	2011	3.2	4.3	3.7	8.3	10.7	9.2
OMAN	2010	..	..	9.8	..	..	..
QATAR	2010	1.8	8.7	4.2	5.6	26.3	11.8
SAUDI ARABIA	2009	6.9	28.4	10.5	31.1	71.0	39.5
UAE	2009	7.8	28.1	14.0	17.9	51.9	27.7
GCC REGION NATIONALS[3]	**MOST RECENT**	**4.3**	**15.7**	**7.8**	**14.1**	**37.5**	**20.5**
GCC NON-NATIONALS							
BAHRAIN	2010	0.0	0.0	0.0	0.0	0.0	0.0
KUWAIT	2011	1.4	3.6	1.9	3.0	6.9	4.4
OMAN[4]	2009	..	..	..	..	..	..
QATAR [5]	2010	0.1	1.6	0.2	0.1	2.6	0.3
SAUDI ARABIA [6]	2009	0.3	0.7	0.3	1.9	3.3	2.1
UAE	2009	1.8	7.0	2.4	7.7	10.8	8.3
GCC NON-NATIONALS		**0.7**	**2.6**	**1.0**	**2.5**	**4.7**	**3.0**
TOTAL ARAB REGION		**7.6**	**16.2**	**13.0**	**19.4**	**32.5**	**25.6**
EXCL. GCC NON-NATIONALS		**9.5**	**19.9**	**15.9**	**24.0**	**40.2**	**30.9**

Notes and sources: see pp. 135-136

Notes to tables A1-A5

1. Comoros unemployment figures correspond to 2004 and are taken from IMF: Poverty Reduction and Growth Strategy Paper 2010.
2. Somalia: youth unemployment rates correspond to 2007 and are taken from the Arab Labour Organization based on official sources. Youth labour force participation rates don't exclude students. Population was 9,331 million in 2010 according to World Bank Development Indicators. The figures for 2002 are from Socio-Economic Survey; World Bank and UNDP 2002.
3. There are no data on youth labour force for Oman and this affects the GCC regional average.
4. Oman labour force figures for expatriates cover only the number of employed.
5. Non-Qatari population corresponds to 10 years and above.
6. Non-Saudi total population figure is according to 2010 census.

Other notes to tables A1-A5

Syria and Lebanon population figures refer to residents only.

OPT: in addition to the total unemployed there are 69 thousands under-employed. Unemployment reaches 25 if including underemployed.

Egypt: unemployment reached 11.9% during the first 2 quarters of 2011.

Egypt: Youth unemployment rates are for 2008. A report issued by the Information and Decision Support Centre (IDSC) in March 2011 indicated that unemployment rate among youths in the age group (15-29) has come to nearly 15.8%. It reached nearly 12.5% among males and 31.7% among females. Youth labour force figures calculated using 2008 youth activity rates figures.

Libya population and labour force figures are from World Bank WDI and ILO KILM while unemployment rates are from Arab Labour Organization based on official estimates. Youth population and labour force figures correspond to 2007 in order to be consistent with the education data (available for 2006-2007 academic year). Education figures are taken from the General People's Committee of Education 2008.

Mauritania: underemployment was 14% in 2008 and 85% of employment is in the informal sector (Enquête Permanente sur les Conditions de Vie des ménages en Mauritanie- EPCV 2008).

Morocco: Education figures correspond to the academic year 2009-2010.

Sources for tables A1-A5

Algeria: Office National des Statistiques (ONS); Portail Du Premier Minister.

Bahrain:2010 Population Census.

Comoros: Présidence de l'Union des Comores; IMF: Union of the Comoros: Poverty Reduction and Growth Strategy Paper 2010; UNESCO Dynamic Data Mapping.

Djibouti: Ministere Du Commerce Et De L'industrie; African Development Bank: Djibouti Country Strategy Paper 2011-2015; UNESCO.

Egypt: Central Agency for Public Mobilization and Statistics (CAMPAS); Information and Decision Support Center (IDSC).

Iraq: Central Organization for Statistics and Information Technology Annual Abstract 2009; National Survey of boyhood and youth 2009.

Jordan: Department of Statistics Employment and Unemployment Survey 2010 and Ministry of Planning Main Economic Indicators 2011.

Kuwait: Ministry of Social Affairs and Labour, Central Statistical Office; The Public Authority For Civil Information (PACI) and National Bank of Kuwait.

Lebanon: Central Administration of Statistics Living Conditions Survey 2007.

Libya: General People's Committee of Education; World Bank World Development Indicators and Arab Labour Organization.

Mauritania: Office national des Statistiques.

Morocco: Haut-Commissariat Au Plan; Ministry of Education.

Oman: Ministry Of Manpower; Ministry of National Economy; 2010 Census preliminary results and Oman Observer Newspaper.

Palestine: Palestinian Central Bureau of Statistics: The Labour Force Survey 2010; Education Statistics.

Qatar: 2010 Population Census; Qatar Statistics Authority

Saudi Arabia: Ministry of Economy and Planning; Central Department of Statistics and Information and Saudi Arabian Monetary Fund (SAMA).

Somalia: Arab Labour Organization; World Bank and UNDP: Socio-Economic Survey 2002.

Sudan: Sudan Central Bureau of Statistics: Sudan National Baseline Household Survey 2009; Statistical Year book 2009; Sudan in Figures 2005-2009 and Ministry of Education.

Syria: Central Bureau of Statistics: 2010 Statistical Abstract.

Tunisia: Institut National de la Statistique: Statistiques de l'Emploi 2010; Ministry of Education: Education Statistics 2009-2010; Ministry of Development and International Cooperation: National Survey on Employment 2010.

United Arab Emirates: National Bureau of Statistics.

Yemen: Central Statistical Organization; Ministry of Planning and International Cooperation; National Population Council and Al-Ghad newspaper.

Table A6: Country grouping

	ILO Databases	This Report Classification
ALGERIA	NORTH AFRICA	NORTH AFRICA
BAHRAIN	MIDDLE EAST	GCC
COMOROS	SSA	SSA
DJIBOUTI	SSA	SSA
EGYPT	NORTH AFRICA	NORTH AFRICA
IRAQ	MIDDLE EAST	MIDDLE EAST
JORDAN	MIDDLE EAST	MIDDLE EAST
KUWAIT	MIDDLE EAST	GCC
LEBANON	MIDDLE EAST	MIDDLE EAST
LIBYA	NORTH AFRICA	NORTH AFRICA
MAURITANIA	SSA	SSA
MOROCCO	NORTH AFRICA	NORTH AFRICA
OPT	MIDDLE EAST	MIDDLE EAST
OMAN	MIDDLE EAST	GCC
QATAR	MIDDLE EAST	GCC
SAUDI ARABIA	MIDDLE EAST	GCC
SOMALIA	SSA	SSA
SUDAN	NORTH AFRICA	NORTH AFRICA
SYRIA	MIDDLE EAST	MIDDLE EAST
TUNISIA	NORTH AFRICA	NORTH AFRICA
UAE	MIDDLE EAST	GCC
YEMEN	MIDDLE EAST	MIDDLE EAST

Table A7: Population by country and sub-region, 1990-2010

	1990						2010					
COUNTRY	TOTAL	WORKING AGE (15-64)	YOUTH	ADULT	SECONDARY AND TERTIARY STUDENTS		TOTAL	WORKING AGE	YOUTH	ADULT	SECONDARY AND TERTIARY STUDENTS	
					MALE	FEMALE					MALE	FEMALE
ALGERIA	25,298	13,481	5,159	9,230	1,375	1,086	35,469	24,246	7,292	18,583	2,799	2,931
BAHRAIN	493	321	81	251	50	27	1,262	983	188	821	60	56
EGYPT	56,843	31,416	10,757	22,785	3,527	2,609	81,121	51,460	16,009	39,531	2,114	2,002
IRAQ	17,375	8,661	3,652	5,680	856	521	31,673	16,968	6,205	11,799	1,467	1,056
JORDAN	3,415	1,701	739	1,083	254	235	6,186	3,623	1,332	2,533	483	485
KUWAIT	2,089	1,313	391	954	279	145	2,737	1,938	423	1,584	158	175
LEBANON	2,946	1,730	601	1,282	184	187	4,227	2,871	758	2,421	278	308
LIBYA	4,334	2,338	916	1,533	98	84	6,356	4,148	1,124	3,298	1,159	351
MOROCCO	24,781	13,991	5,008	9,929	865	586	31,951	21,247	6,268	16,734	1,407	1,186
oPt	2,082	1,037	422	659	173	161	4,040	2,211	858	1,465	435	472
OMAN	1,867	973	299	716	105	47	2,785	1,957	611	1,418	206	193
QATAR	474	335	65	275	32	20	1,760	1,504	256	1,266	40	43
SAUDI ARABIA	16,139	8,819	2,887	6,358	634	323	27,447	18,306	4,947	14,170	2,011	1,929
SUDAN	26,495	14,049	5,141	9,717	449	342	43,551	24,541	8,568	17,525	1,205	1,095
SYRIA	12,323	6,154	2,543	4,027	671	465	20,411	12,075	4,166	8,713	1,588	1,807
TUNISIA	8,215	4,709	1,645	3,440	363	270	10,482	7,293	1,994	6,029	741	821
UAE	1,808	1,226	285	961	111	62	7,514	6,201	1,211	5,023	205	219
YEMEN	24,055	12,801	5,327	8,089	399	139	24,055	12,801	5,327	8,089	1,146	653
REGION												
NORTH AFRICA	145,966	79,984	28,626	56,634	6,676	4,977	208,930	132,935	41,255	101,700	9,424	8,384
MIDDLE EAST	62,196	32,084	13,284	20,820	2,537	1,708	90,592	50,549	18,646	35,020	5,397	4,781
GCC	22,870	12,987	4,008	9,515	1,211	624	43,505	30,889	7,636	24,282	2,681	2,614
ARAB STATES	231,032	125,055	45,918	86,969	10,424	7,309	343,027	214,373	67,537	161,002	17,502	15,779

Source: United Nations Population Division and; UNESCO Institute of Statistics (UIS) Databases.

Table A8: Arab states population composition

GROUP	ARAB STATES				MIDDLE EAST			
	1991	2010	%CHANGE	% CONTRIBUTION	1991	2010	% CHANGE	% CONTRIBUTION
POPULATION	,000				,000			
0-14 MALES	48,654	58,543	20.3%	8.3%	12,504	18,926	51%	17%
0-14 FEMALES	46,777	55,943	19.6%	7.7%	11,950	17,999	51%	16%
STUDENTS								
15+ MALES	4,351	10,292	136.5%	5.0%	1,159	3,116	169%	5%
15+ FEMALES	1,949	8,877	355.4%	5.8%	388	2604	571%	6%
YOUTH EMPLOYMENT								
MALES	9,210	12,847	39.5%	3.1%	2,283	3,466	52%	3%
FEMALES	2,565	3,518	37.2%	0.8%	391	596	52%	0.5%
YOUTH UNEMPLOYMENT								
MALES	2,621	3,255	24.2%	0.5%	712	1,181	66%	1.2%
FEMALES	1,450	2,078	43.3%	0.5%	303	555	83%	0.7%
ADULT EMPLOYMENT								
MALES	35,947	67,981	89.1%	27.0%	6,449	13,052	102%	17%
FEMALES	7,526	17,015	126.1%	8.0%	1126	2929	160%	5%
ADULT UNEMPLOYMENT								
MALES	2,062	3,312	60.6%	1.1%	472	1,016	115%	1.4%
FEMALES	1,032	2,257	118.7%	1.0%	192	556	190%	0.9%
INACTIVE POPULATION								
15-64 (EXCL STUDENTS) MALES	9,204	15,173	64.9%	5.0%	1,864	3,783	103%	5%
15-64 (EXCL STUDENTS) FEMALES	45,085	69,929	55.1%	21.0%	10,674	18,049	69%	19%
65+ MALES	2,289	4,727	106.5%	2.1%	524	1,077	106%	1.4%
65+ FEMALES	3,799	7,267	91.3%	2.9%	907	1,679	85%	2.0%
TOTAL	224,520	343,014	52.8%	100.0%	51,898	90,585	75%	100%
GROUP	NORTH AFRICA				GCC			
	1991	2010	% CHANGE	CONTRIBUTION	1991	2010	% CHANGE	CONTRIBUTION
POPULATION	,000				,000			
0-14 MALES	31,303	33,706	8%	4.0%	4,847	5,911	22%	5.3%
0-14 FEMALES	30,130	32,268	7%	3.6%	4,697	5,675	21%	4.9%
STUDENTS								
15+ MALES	2,994	5,203	74%	3.7%	199	1,973	891%	8.9%
15+ FEMALES	1,424	4,334	204%	4.9%	137	1,939	1315%	9.0%
YOUTH EMPLOYMENT								
MALES	5,970	8,053	35%	3.5%	957	1,328	39%	1.9%
FEMALES	2,030	2,603	28%	1.0%	144	319	122%	0.9%
YOUTH UNEMPLOYMENT								
MALES	1,710	1,827	7%	0.2%	199	247	24%	0.2%
FEMALES	1,090	1,359	25%	0.4%	57	164	188%	0.5%
ADULT EMPLOYMENT								
MALES	23,731	40,659	71%	28.3%	5,767	14,270	147%	42.6%
FEMALES	5,635	11,814	110%	10.3%	765	2,272	197%	7.6%
ADULT UNEMPLOYMENT								
MALES	1,497	2,052	37%	0.9%	93	244	162%	0.8%
FEMALES	793	1,464	85%	1.1%	47	237	404%	1.0%
INACTIVE POPULATION								
15-64 (EXCL STUDENTS) MALES	6,184	9,951	61%	6.3%	1,155	1,439	25%	1.4%
15-64 (EXCL STUDENTS) FEMALES	30,375	45,288	49%	24.9%	4,035	6,591	63%	12.8%
65+ MALES	1,562	3,257	109%	2.8%	203	393	94%	1.0%
65+ FEMALES	2,647	5,090	92%	4.1%	245	498	103%	1.3%
TOTAL	149,075	208,928	40%	100.0%	23,547	43,500	85%	100.0%

Source: ILO Key Indicators of the Labour Market Database (KILM); UNESCO Institute of Statistics Database (UIS).

Table A9: Labour force participation rate by country and sub-region, 2010

	LFPR 15+			LFPR 15-64 EXCL. STUDENTS			YOUTH LFPR			YOUTH LFPR EXCL. STUDENTS		
COUNTRY	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE
ALGERIA	43.3	71.7	14.7	50.6	81.7	17.7	28.1	46.5	8.9	40.7	62.5	14.0
BAHRAIN	70.5	87.2	39.2	77.9	94.1	45.3	45.4	55.3	32.7	74.4	86.6	57.1
EGYPT	48.8	74.2	23.5	56.3	85.0	27.4	34.0	47.6	19.9	45.7	64.3	26.7
IRAQ	41.4	69.3	14.3	46.6	78.0	16.2	28.9	48.6	8.1	35.9	61.8	9.8
JORDAN	41.1	65.4	15.3	48.2	74.1	18.8	27.1	42.0	11.2	37.3	51.9	17.5
KUWAIT	67.7	82.2	43.3	84.1	97.2	59.0	35.5	44.2	24.8	82.3	96.1	65.9
LEBANON	45.7	70.8	22.5	56.5	86.0	28.6	29.4	41.0	17.6	57.7	74.6	37.4
LIBYA	53.8	76.9	30.4	66.4	92.3	38.7	37.4	50.0	24.2	73.5	91.4	46.8
MOROCCO	49.5	74.7	25.9	54.8	83.3	28.0	36.0	53.0	19.0	44.9	66.2	23.7
oPt	40.8	66.3	14.7	50.3	79.7	18.7	25.2	41.7	8.1	42.4	64.7	14.9
OMAN	60.0	79.9	28.0	70.2	90.6	34.6	40.5	52.7	24.0	65.7	80.1	43.0
QATAR	86.4	95.2	52.1	89.7	97.3	57.6	67.5	78.5	35.7	81.9	88.4	55.5
SAUDI ARABIA	50.0	74.2	17.4	59.2	85.8	21.5	16.2	25.3	6.8	30.7	48.5	12.7
SUDAN	53.6	76.5	30.8	57.4	80.7	33.8	35.3	43.3	26.9	41.0	50.2	31.4
SYRIAN	42.3	71.6	12.9	47.9	80.4	14.8	29.8	49.0	9.0	37.8	61.2	11.7
TUNISIA	47.4	69.7	25.3	58.2	83.6	32.1	33.0	43.8	21.8	62.5	74.6	46.8
UAE	79.1	92.0	43.7	82.2	94.4	47.2	49.9	62.0	32.0	60.5	71.5	42.0
YEMEN	48.2	71.7	24.8	53.2	80.5	27.0	36.9	52.1	21.2	43.8	65.5	23.8
REGIONAL AVERAGES												
COUNTRY AVERAGE												
NORTH AFRICA	49.4	74.0	25.1	57.3	84.4	29.6	34.0	47.4	20.1	51.4	68.2	31.6
MIDDLE EAST	43.3	69.2	17.4	50.5	79.8	20.7	29.6	45.7	12.5	42.5	63.3	19.2
GCC	69.0	85.1	37.3	77.2	93.2	44.2	42.5	53.0	26.0	65.9	78.5	46.0
ARAB STATES	53.9	76.1	26.6	61.7	85.8	31.5	35.3	48.7	19.6	53.3	70.0	32.3
WEIGHTED AVERAGE												
NORTH AFRICA	48.8	74.1	24.0	55.6	83.5	27.6	33.6	47.2	19.5	44.9	62.0	26.6
MIDDLE EAST	43.5	70.1	17.2	49.4	79.4	19.7	31.1	48.6	12.7	39.6	62.5	16.0
GCC	59.8	80.9	24.9	68.5	90.0	30.2	26.9	38.2	13.8	46.0	62.9	24.8
ARAB STATES	49.1	74.3	22.4	56.0	83.7	25.9	32.1	46.5	17.0	43.4	62.2	23.3
% DIFFERENCE BETWEEN COUNTRY AND WEIGHTED AVERAGES												
NORTH AFRICA	1.1	-0.2	4.8	3.0	1.2	7.3	1.2	0.3	3.2	14.6	10.0	18.9
MIDDLE EAST	-0.6	-1.3	1.2	2.1	0.5	5.3	-5.0	-5.8	-1.2	7.2	1.3	19.7
GCC	15.3	5.2	49.8	12.7	3.6	46.5	58.0	38.6	88.0	43.3	24.9	85.7
ARAB STATES	9.7	2.4	18.7	10.2	2.6	21.6	10.0	4.7	15.0	22.6	12.5	38.6

Source: ILO Key Indicators of the Labour Market Database (KILM).

Table A10: Weighted and un-weighted LFPR and unemployment rate, 2010

		NORTH AFRICA			MIDDLE EAST			GCC			ARAB STATES		
LFPR		WEIGHTED	UNWEIGHTED	DIFF. U/W	WEIGHTED	UNWEIGHTED	DIFF. U/W	WEIGHTED	UNWEIGHTED	DIFF. U/W	WEIGHTED	UNWEIGHTED	DIFF. U/W
15+ EXCL. STUDENTS	MALE	79.7	80.5	1.0%	76.2	76.0	-0.2%	88.1	91.6	3.9%	80.3	82.7	3.0%
	FEMALE	25.9	27.8	7.2%	18.5	19.3	4.3%	28.7	42.7	48.7%	24.4	29.9	22.8%
	TOTAL	52.7	54.2	2.9%	47.0	47.7	1.4%	66.6	75.5	13.4%	53.2	59.1	11.1%
15+	MALE	74.1	74.0	-0.2%	70.1	69.2	-1.3%	80.9	85.1	5.2%	74.3	76.1	2.4%
	FEMALE	24.0	25.1	4.8%	17.2	17.4	1.2%	24.9	37.3	49.8%	22.4	26.6	18.7%
	TOTAL	48.8	49.4	1.1%	43.5	43.3	-0.6%	59.8	69.0	15.3%	49.1	53.9	9.7%
(15-64) EXCL. STUDENTS	MALE	83.5	84.4	1.2%	79.4	79.8	0.5%	90.0	93.2	3.6%	83.7	85.8	2.6%
	FEMALE	27.6	29.6	7.3%	19.7	20.7	5.3%	30.2	44.2	46.5%	25.9	31.5	21.6%
	TOTAL	55.6	57.3	3.0%	49.4	50.5	2.1%	68.5	77.2	12.6%	56.0	61.7	10.1%
15-64	MALE	77.2	77.1	-0.2%	72.7	72.1	-0.8%	82.4	86.5	4.9%	77.1	78.6	1.9%
	FEMALE	25.3	26.5	4.6%	18.2	18.5	1.8%	25.9	38.3	47.7%	23.7	27.8	17.4%
	TOTAL	51.3	51.8	1.0%	45.5	45.4	-0.2%	61.3	70.2	14.5%	51.4	55.8	8.7%
YOUTH EXCL. STUDENTS	MALE	62.0	68.2	10.0%	62.5	63.3	1.3%	62.9	78.5	24.9%	62.2	70.0	12.5%
	FEMALE	26.6	31.6	18.9%	16.0	19.2	19.7%	24.8	46.0	85.7%	23.3	32.3	38.6%
	TOTAL	44.9	51.4	14.6%	39.6	42.5	7.2%	46.0	65.9	43.3%	43.4	53.3	22.6%
YOUTH	MALE	47.2	47.4	0.4%	48.6	45.7	-5.8%	38.2	52.5	37.4%	46.5	48.6	4.4%
	FEMALE	19.5	20.1	3.2%	12.7	12.5	-1.2%	13.8	26.0	88.0%	17.0	19.5	14.9%
	TOTAL	33.6	33.9	1.2%	31.1	29.6	-5.0%	26.9	42.1	56.6%	32.1	35.2	9.6%
		NORTH AFRICA			MIDDLE EAST			GCC			ARAB STATES		
UNEMPLOYMENT		WEIGHTED	UNWEIGHTED	DIFF. U/W	WEIGHTED	UNWEIGHTED	DIFF. U/W	WEIGHTED	UNWEIGHTED	DIFF. U/W	WEIGHTED	UNWEIGHTED	DIFF. U/W
TOTAL	MALE	7.4	8.3	12.9%	11.7	12.8	9.4%	3.1	3.2	5.0%	7.5	8.1	8.2%
	FEMALE	16.4	15.6	-5.1%	24	21.4	-11.0%	13.4	11.5	-13.7%	17.4	16.2	-7.3%
	TOTAL	9.6	10.1	4.9%	14.2	14.5	2.2%	4.7	4.6	-1.8%	9.7	9.7	0.0%
YOUTH	MALE	18.5	20	8.2%	25.4	25.8	1.5%	15.7	14.7	-6.3%	20.2	20.2	-0.2%
	FEMALE	34.3	30.7	-10.5%	48.2	44.2	-8.3%	33.8	26.3	-22.2%	37.1	33.7	-9.2%
	TOTAL	23.0	23.0	-0.2%	29.9	29.1	-2.7%	19.9	17.4	-12.6%	24.6	23.2	-5.7%
ADULT	MALE	4.8	5.8	20.3%	7.2	9.0	24.5%	1.7	1.8	5.6%	4.6	5.5	18.7%
	FEMALE	11	11.2	1.6%	16.1	14.5	-9.5%	9.4	8.2	-12.4%	11.7	11.3	-3.4%
	TOTAL	6.3	7.0	11.6%	9.0	10.0	11.7%	2.8	2.8	-1.8%	6.2	6.6	7.3%

Source: ILO Key Indicators of the Labour Market Database (KILM). UNESCO

Table A11: Unemployment rate by country and gender, 2010

	TOTAL UNEMPLOYMENT RATE			YOUTH UNEMPLOYMENT RATE		
COUNTRY	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE
ALGERIA	11.4	9.6	20.3	20.5	18.0	34.0
BAHRAIN	7.9	5.1	19.7	28.2	25.9	33.3
EGYPT	9.0	5.5	20.0	26.3	18.5	45.8
IRAQ	18.5	16.0	30.0	39.5	34.7	69.4
JORDAN	12.5	10.3	22.3	28.0	23.5	45.8
KUWAIT	2.1	2.0	2.2	12.0	12.6	10.6
LEBANON	8.8	8.3	10.2	23.2	23.4	22.7
LIBYA	8.1	6.1	13.2	21.2	17.1	30.1
MOROCCO	9.1	9.0	9.3	16.8	17.3	15.5
OPT	24.6	25.7	19.4	36.6	35.7	41.2
OMAN	7.8	6.3	14.7	20.2	16.8	30.2
QATAR	0.5	0.2	2.5	1.2	0.7	4.3
SAUDI ARABIA	5.3	3.5	15.9	29.4	23.0	53.9
SUDAN	8.7	6.3	14.8	21.9	17.0	30.0
SYRIA	8.4	5.8	22.6	19.1	15.4	40.9
TUNISIA	14.1	13.5	15.8	31.2	32.2	29.0
UAE	4.0	2.2	14.2	13.4	9.2	25.5
YEMEN	14.2	10.8	23.9	28.5	22.0	44.9
REGIONAL AVERAGES						
COUNTRY AVERAGE						
NORTH AFRICA	10.1	8.3	15.6	23.0	20.0	30.7
MIDDLE EAST	14.5	12.8	21.4	29.1	25.8	44.2
GCC	4.6	3.2	11.5	17.4	14.7	26.3
ARAB STATES	9.7	8.1	16.2	23.2	20.2	33.7
WEIGHTED AVERAGE						
NORTH AFRICA	9.6	7.4	16.4	23.0	18.5	34.3
MIDDLE EAST	14.2	11.7	24.0	29.9	25.4	48.2
GCC	4.7	3.1	13.4	19.9	15.7	33.8
ARAB STATES	9.7	7.5	17.4	24.6	20.2	37.1
% DIFFERENCE BETWEEN COUNTRY OVER WEIGHTED AVERAGES						
NORTH AFRICA	4.9	12.9	-5.1	-0.2	8.2	-10.5
MIDDLE EAST	2.2	9.4	-11.0	-2.7	1.5	-8.3
GCC	-1.8	5.0	-13.7	-12.6	-6.3	-22.2
ARAB STATES	0.0	8.2	-7.3	-5.7	-0.2	-9.2

Source: ILO Key Indicators of the Labour Market Database (KILM).

Table A12: Growth in GDP per capita (USD $) and PPP, 1990-2010

	USD $	PPP (2005 INTERNATIONAL $)
ALGERIA	0.9	1.0
EGYPT	2.8	2.7
LIBYA	N.A	N.A
MOROCCO	2.4	2.3
SUDAN	2.9	3.4
TUNISIA	3.4	3.3
NORTH AFRICA	**2.5**	**2.5**
IRAQ	N.A	N.A
JORDAN	2.1	2.3
LEBANON	5.2	4.0
OPT	N.A	N.A
SYRIA	2.5	2.4
YEMEN	1.2	1.1
MIDDLE EAST	**2.8**	**2.4**
BAHRAIN	1.7	1.4
KUWAIT	N.A	N.A
OMAN	2.4	2.5
QATAR	N.A	N.A
SAUDI ARABIA	0.5	0.3
UNITED ARAB EMIRATES	-1.9	-2.7
GCC	**0.7**	**0.4**

Notes:
1. Regional averages refer to country averages
2. GDP per capita growth for Bahrain and Oman growth rate refers to the periods 1990-2008 and 1990-2009 respectively
3. GDP per capita PPP growth for Bahrain refers to the period 1990-2008 and for Oman and Yemen growth rates refers to 1990-2009
Source: IMF World Economic Outlook Databases (WEO).

Table A13: Real GDP growth rate by region, 2000-2015

YEAR	2000	02	03	03	04	05	06	07	08	09	10	11	12	13	14	2015
ARAB STATES	**4.9**	**2.7**	**2.3**	**7.3**	**6.2**	**5.7**	**6.1**	**5.3**	**5.9**	**2.3**	**4.8**	**4.5**	**3.7**	**4.4**	**4.9**	**5.0**
DEVELOPED ECONOMIES	3.9	1.5	1.5	1.9	3.0	2.6	3.0	2.6	0.1	-3.9	2.6	1.4	1.7	2.2	2.5	2.6
C/SEE (NON-EU) & CIS	8.3	3.4	5.4	7.0	8.3	7.0	8.2	7.8	4.2	-5.9	5.3	4.9	3.8	4.1	4.1	4.2
EAST ASIA	8.2	6.3	8.2	8.0	8.8	9.5	10.9	12.1	7.8	7.1	9.8	8.5	8.2	8.6	8.6	8.6
SEAP	6.1	2.8	5.0	5.8	6.5	5.9	6.2	6.7	4.5	1.6	7.5	5.3	5.5	5.7	5.8	6.0
SOUTH ASIA	5.6	3.6	4.4	6.5	7.4	8.8	8.9	9.4	5.9	6.2	9.2	7.2	7.1	7.6	7.8	7.8
LAC	4.0	0.4	0.3	2.1	6.0	4.6	5.6	5.8	4.3	-1.7	6.1	4.5	4.0	4.1	4.1	4.0
MIDDLE EAST	**5.4**	**2.6**	**3.7**	**8.0**	**6.6**	**5.6**	**6.0**	**7.1**	**4.4**	**2.2**	**4.4**	**4.9**	**4.0**	**4.4**	**4.7**	**4.7**
NORTH AFRICA	**4.1**	**3.5**	**3.3**	**5.8**	**4.6**	**5.1**	**5.9**	**5.8**	**5.0**	**3.5**	**4.4**	**1.9**	**2.5**	**4.0**	**5.0**	**5.5**
SSA	3.6	4.9	7.2	4.9	7.1	6.2	6.5	7.1	5.6	2.8	5.4	5.2	5.8	5.5	5.4	5.2

Note: Projections after 2010
Source: ILO (2012).

Table A14: Comparison of key indicators between North Africa and Middle East

		NORTH AFRICA	MIDDLE EAST
MACO-PERFROMANCE 2000-2010	GDP GROWTH 2000-2010	4.6	5.0
	EMPLOYMENT/OUTPUT ELASTICITY	0.70	0.76
	AVERAGE ANNUAL PRODUCTIVITY GROWTH	1.5	1.2
EMPLOYMENT (,000) 2010	TOTAL	63,128	23,706
	MALE	48,711	19,013
	FEMALE	14,417	4,693
	TOTAL YOUTH	10,656	4,893
	MALE YOUTH	8,053	4,017
	FEMALE YOUTH	2,603	876
CHANGE IN EMPLOYMENT (,000) 1991-2010	TOTAL	25,762	11,085
	MALE	19,010	8,614
	FEMALE	6,752	2,471
	TOTAL YOUTH	2,655	1,572
	MALE YOUTH	2,083	1,299
	FEMALE YOUTH	573	273
% CHANGE IN EMPLOYMENT 1991-2010	TOTAL	68.9	87.8
	MALE	64.0	82.8
	FEMALE	88.1	111.2
	TOTAL YOUTH	33.2	47.3
	MALE YOUTH	34.9	47.8
	FEMALE YOUTH	28.2	45.3
EMPLOYMENT RATE (%) 2010	TOTAL	47.5	41.0
	MALE	73.3	65.8
	FEMALE	21.7	16.2
	TOTAL YOUTH	25.8	23.1
	MALE YOUTH	39.0	37.9
	FEMALE YOUTH	12.6	8.3
EMPLOYMENT RATE (%) EXCL. STUDENTS 2010	TOTAL	51.5	44.1
	MALE	79.2	71.0
	FEMALE	23.6	17.4
	TOTAL YOUTH	34.5	28.5
	MALE YOUTH	51.5	47.4
	FEMALE YOUTH	17.1	10.1
% CHANGE IN EMPLOYMENT RATE 1991-2010	TOTAL	4.4	-1.0
	MALE	1.4	-3.6
	FEMALE	16.3	11.4
	TOTAL YOUTH	-5.4	-14.4
	MALE YOUTH	-4.2	-14.1
	FEMALE YOUTH	-8.9	-15.5
% CHANGE IN EMPLOYMENT RATE EXCL. STUDENTS 1991-2010	TOTAL	7.2	1.0
	MALE	1.6	-3.8
	FEMALE	22.2	16.1
	TOTAL YOUTH	7.4	-7.6
	MALE YOUTH	0.5	-12.7
	FEMALE YOUTH	11.5	-3.6

CONTINUED		NORTH AFRICA	MIDDLE EAST
LFPR 2010	TOTAL 15+	49.4	43.3
	MALE 15+	74.0	69.2
	FEMALE 15+	25.1	17.4
	TOTAL 15+ EXCL. STUDENTS	54.2	47.7
	MALE 15+ EXCL. STUDENTS	80.5	76.0
	FEMALE 15+ EXCL. STUDENTS	27.8	19.3
	TOTAL EXCL. STUDENTS (15-64)	57.3	50.5
	MALE EXCL. STUDENTS (15-64)	84.4	79.8
	FEMALE EXCL. STUDENTS (15-64)	29.6	20.7
	TOTAL YOUTH	33.9	29.6
	MALE YOUTH	47.4	45.7
	FEMALE YOUTH	20.1	12.5
	TOTAL YOUTH EXCL. STUDENTS	51.4	42.5
	MALE YOUTH EXCL. STUDENTS	68.2	63.3
	FEMALE YOUTH EXCL. STUDENTS	31.6	19.2
% CHANGE IN LFPR 1990-2010	TOTAL (15+)	1.0	2.5
	MALE (15+)	-2.6	-3.2
	FEMALE (15+) 1990-2010	16.7	29.7
	TOTAL (15+) EXCL. STUDENTS (WEIGHTED AVERAGE)	2.6	5.8
	MALE (15+) EXCL. STUDENTS (WEIGHTED AVERAGE)	-1.3	-1.5
	FEMALE (15+) EXCL. STUDENTS (WEIGHTED AVERAGE)	13.7	28.6
	TOTAL(15-64) EXCL. STUDENTS (WEIGHTED AVERAGE)	3.9	6.0
	MALE LFPR (15-64) EXCL. STUDENTS(WEIGHTED AVERAGE)	-0.1	-1.2
	FEMALE LFPR (15-64) EXCL. STUDENTS (WEIGHTED AVERAGE)	15.3	28.9
	TOTAL YOUTH	-11.3	-9.4
	MALE YOUTH	-12.9	-12.4
	FEMALE YOUTH	-7.6	2.0
	TOTAL YOUTH EXCL. STUDENTS (WEIGHTED AVERAGE)	0.5	8.9
	MALE YOUTH (WEIGHTED AVERAGE)	-2.9	0.2
	FEMALE YOUTH (WEIGHTED AVERAGE)	3.3	22.7
UNEMPLOYMENT RATE (%) 2010	TOTAL	10.1	14.5
	MALE	8.3	12.8
	FEMALE	15.6	21.4
	TOTAL YOUTH	23.0	29.1
	MALE YOUTH	20.0	25.8
	FEMALE YOUTH	30.7	44.2
	YOUTH/ADULT UNEMPLOYMENT	90.6	105.0
% CHANGE IN UNEMPLOYMENT 1990-2010	TOTAL	-29.4	2.6
	MALE	-24.3	-0.5
	FEMALE	-17.1	3.1
	TOTAL YOUTH	-11.2	10.3
	MALE YOUTH	-16.9	7.7
	FEMALE YOUTH	-1.8	14.6
	YOUTH/ADULT	-25.8	-25.7

CONTINUED		NORTH AFRICA	MIDDLE EAST
POPULATION 2010	TOTAL POPULATION	208,930	90,592
	WORKING AGE POPULATION	132,935	50,549
	YOUTH POPULATION	41,255	18,646
	YOUTH TO ADULT POPULATION	40.6	52.9
% CHANGE IN POPULATION 1990-2010	TOTAL POPULATION	43.1	45.7
	WORKING AGE POPULATION	66.2	57.6
	YOUTH POPULATION	44.1	40.4
	% CHANGE IN YOUTH/ADULT POPULATION	-19.2	-13.5
SHARE OF WORKING POOR ($2/DAY) AND VULNERABLE EMPLOYMENT 1991-2010	SHARE OF WORKING POOR ($ 2/DAY) IN TOTAL EMPLOYMENT	26.5	23.4
	% CHANGE IN THE SHARE OF WORKING POOR	-24.3	-33.7
	VULNERABLE EMPLOYMENT AS % OF TOTAL EMPLOYMENT	37.7	40.1
	% CHANGE IN THE SHARE OF VULNERABLE EMPLOYMENT	-18.2	-15.5
STUDENTS (15+) 2010	TOTAL	10,394	4,018
	MALE	4,980	2,127
	FEMALE	5,414	1,891
	TOTAL ENROLMENT RATE	25.2	21.5
	MALE ENROLMENT RATE	23.8	22.2
	FEMALE ENROLMENT RATE	26.6	20.8
% CHANGE 1990-2010	TOTAL STUDENTS	73.7	269.9
	MALES	204.3	168.9
	FEMALES	115.8	571.4
	ENROLMENT RATE	43.3	108.3
	ENROLMENT MALES	23.4	49.7
	ENROLMENT FEMALES	116.1	283.0

Note: Figures correspond to country averages otherwise stated.
Source: ILO Key Indicators of the Labour Market Database (KILM), ILO (2012) and UNESCO Institute of Statistics Database (UIS).

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