International Labour Office

المنتدى العربي للتشغيل

Arab Employment Forum

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Sustainable enterprise development and employment creation in the Arab region

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Challenges facing enterprises development in the Arab region

(Pre-crisis situation)

- Economic & Institutional Environment
- Educational system
- Labour Market
- Cooperation & regional integration
- Competitiveness and productivty

Economic and institutional environment

Strong growth led by energy sector, but low job creation and low productivity

- **Deficit of balance of trade**
- **Low savings**
- **GNP per Capita growth rate of 1%**
- **Average GDP growth rate 2000-2005: 4.7%**
- **Investment rate increase by 1.1%**
- **Under investment in agriculture (urban growth + irrigation deficits)**
- **Low elasticity rate of industrial sector (0.6 in Egypt)**
- **Increase in energy costs**
- **Low food stocks**
- **Weak supply/demand system**
- **Monetary problems**
- **Legal and administrative procedures**

- **New technologies**
- **Labour Market Information**
- **Business development services – BDS**
- **Labour Market Information**
- **Banking system**
- **Speculation**
- **Mismanagement and corruption**
- **Importance of informal economy**
- **External competition**

Educational system

- 30% of children at age of primary school and 40% at age of secondary school are out of school
- Those at age 18-24: only 17% of girls and 22% of men go to university (Among the lowest rates of university graduates in the world)
- Real inadequacy between the education systems and national economies' needs
- Abrupt disruption with the education system
- Lack of skills (VT)
- Low literacy rate: 13 Million young men and women illeterate (2000)
- More and more educated workers and less job opportunities

Education-Occupation Mismatch (EGYPT)

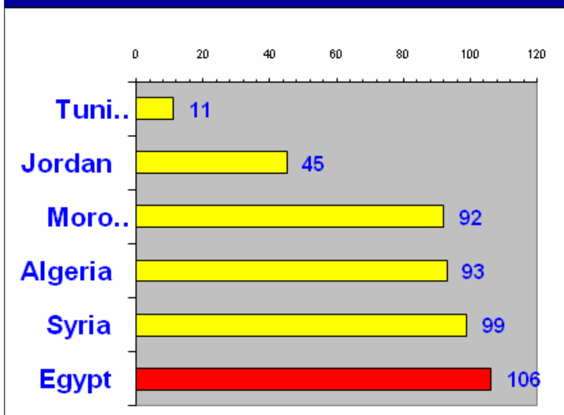
Education / Occupations	1998 Adequate	1998 Over	1998 Under		2006 Adequate	2006 Over	2006 Under
Legislators, Senior Offic., Manag.	70	-	30		63	-	37
Professionals	90	-	10		90	1	9
Technic.& assoc., Prof.	89	8	3		72	22	5
Clerks	70	22	8		64	27	8
Serv.& shop/market sal. wrkrs	71	13	16		71	15	14
Craft & related trad. wrkrs	57	43	-		67	3	30
Plant & machine operat. & assemb	62	3	36		70	2	28
Elementary occupations	63	37	-		63	5	32

Source: Economic Research Forum- ERF 2009

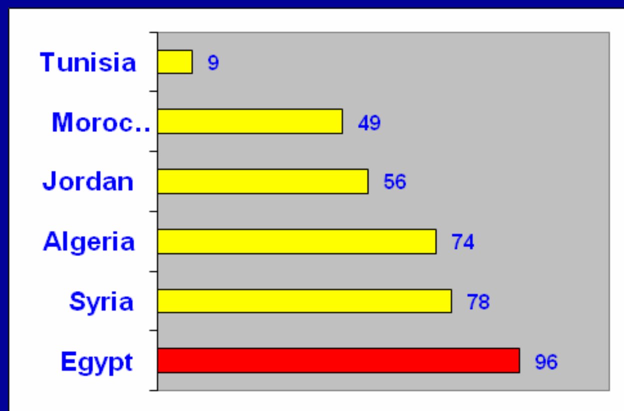
Education

ranking on 128 countries

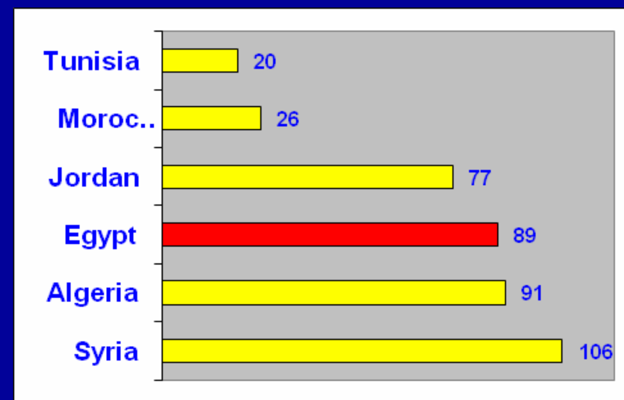
Quality of Education System

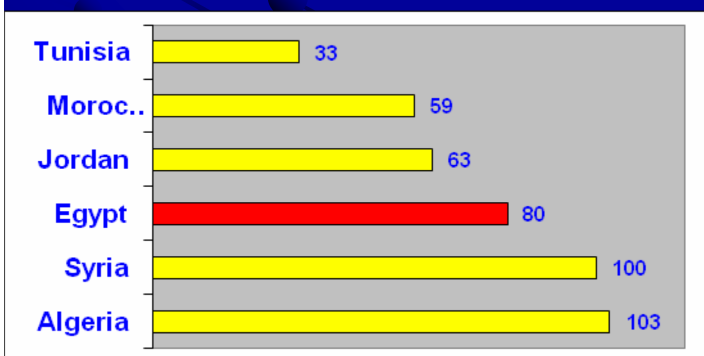


Quality of Maths and Science Education



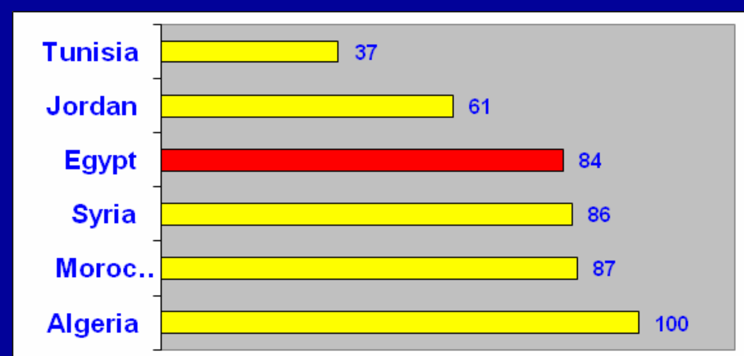
Quality of Management Schools





Availability of research and training services

Extent of Staff Training



Source: World Economic Forum: World Competitiveness Report, 2007

Labour market

- Population growth, among the highest in the world (410 to 460 Millions by 2020)
- Labour force growing by 3.3% yearly: highest rate in the world
- New entrants to the labour market: 90% of unemployed in Egypt, 2/3 in Yemen and UAE, more than half in Jordan and Morocco
- Economy should grow by 6 to 8% yearly to stabilize unemployment
- Youth unemployment rates are the highest in the world (24% in 2007). More than 3 times adult unemployment
- Labour market imbalances
- Low wages
- Large number of job seekers (competition)
- Lack of youth representation: 7 to 12% of members of parliaments are under age of 40, 1 youth association every 1000 associations of civil society
- Lack of credibility (youth)
- Public-sector employment in the region remains high: 30% (18 percent worldwide)
- Low women participation rate
- Informal employment

…They work but they are poor

Young Workers earning 1 US dollar per day (in millions)

Young workers earning 1 US$ per day (Millions)	1994	2004	Changes 1994 – 2004
Central and Eastern Europe (non-EU)	1.9	0.8	-1.1
East Asia	47.6	20.7	-26.9
South-East Asia and Pacific	10.5	6.4	-4.1
South Asia	60.0	46.6	-13.5
Latin America and Caribbean	6.3	6.2	0.0
MENA	0.6	0.8	0.2
Sub Saharan Africa	35.7	44.8	9.1
WORLD	146.1	106.4	39.7

Within the next 15 years…

74 million jobs
will have to be created
to absorb the annual 3.3 % additional workforce
(an increase by 75%)

This is equivalent to the workforce growth
1950 – 2000

Resolving the current unemployment situation requires the creation of 90 million jobs (Doubling the present number)

Cost of unemployment

Halving youth unemployment = increase GDP by 7 % (3.5 trillion $)

	Cost in % of GDP
Algeria	2.6
Bahrain	0.7
Egypt	1.5
Jordan	2.6
Lebanon	1.7
Morocco	6.9
Qatar	0.1
Saudi Arabia	1.2
Syria	2.7
WB and Gaza	6.6
Yemen	2.9
Total	2.3

Close to US$ 25 billion

Cooperation and regional integration

Geographic proximity

+

Economic and cultural similarities

A non oil export growth by 15% p. year over the next 5 years

Creation of 4 million jobs

Trade in the Arab Region
Intra-regional trade for selective regional groups (% of total trade)

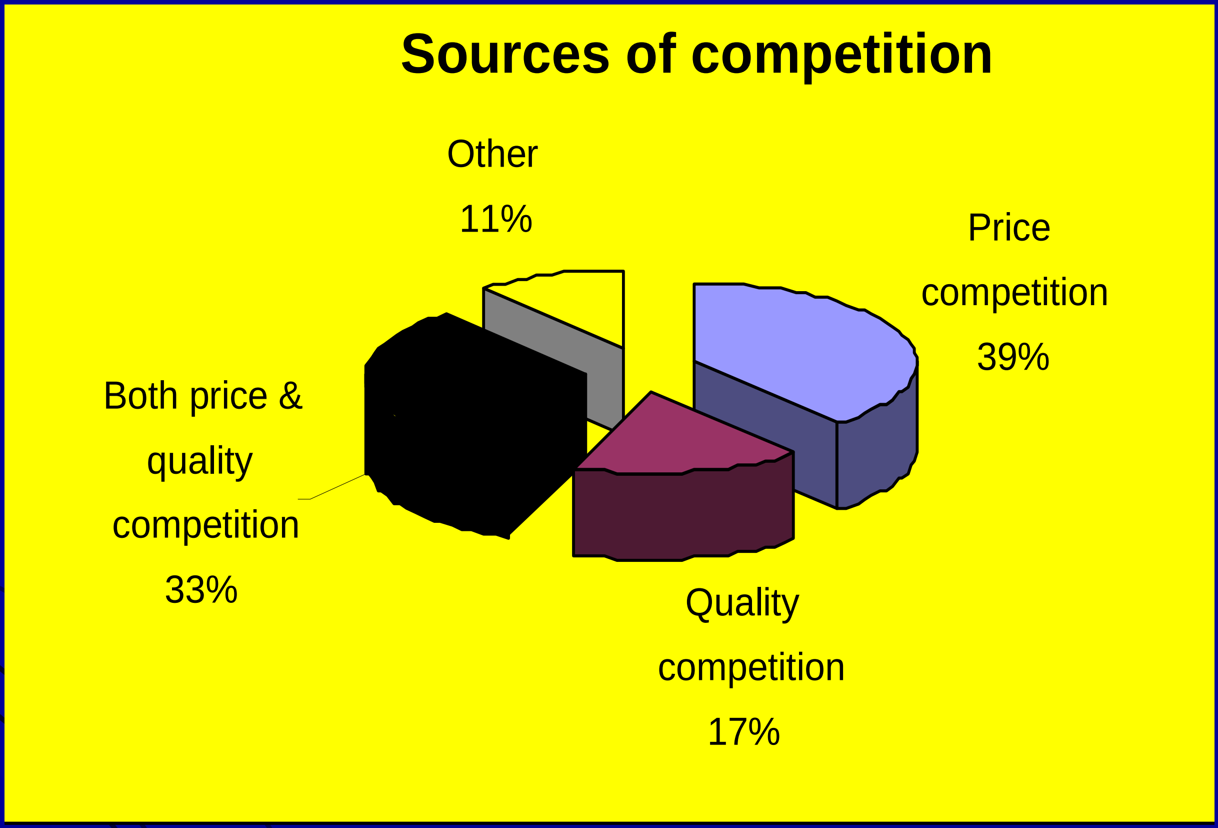
Group	1999	2000	2001	2002	2003	2004
Arab Countries	8%	7%	8%	10%	10%	10%
GCC	7%	6%	6%	7%	6%	5%
UMA	3%	3%	3%	3%	3%	3%
Euro Zone	51%	49%	50%	50%	51%	51%
ASEAN	22%	23%	22%	23%	22%	22%
FTAA	52%	53%	52%	52%	51%	50%
MERCUSOR	20%	20%	18%	14%	15%	15%

Source: UNCTAD Database 2005, CD-Rom and Arab Monetary Fund (AMF) Statistical Database.

Competitiveness and productivity

- SMEs perception of competition
- Competitiveness indicators

SMEs Perception of Competition




Produit issu
du commerce
équitable
QUINZAINE
EQUITABLE
Agissez pour demain, tous les jours
Côte d'Or

The Competitivenes' twelve pillars

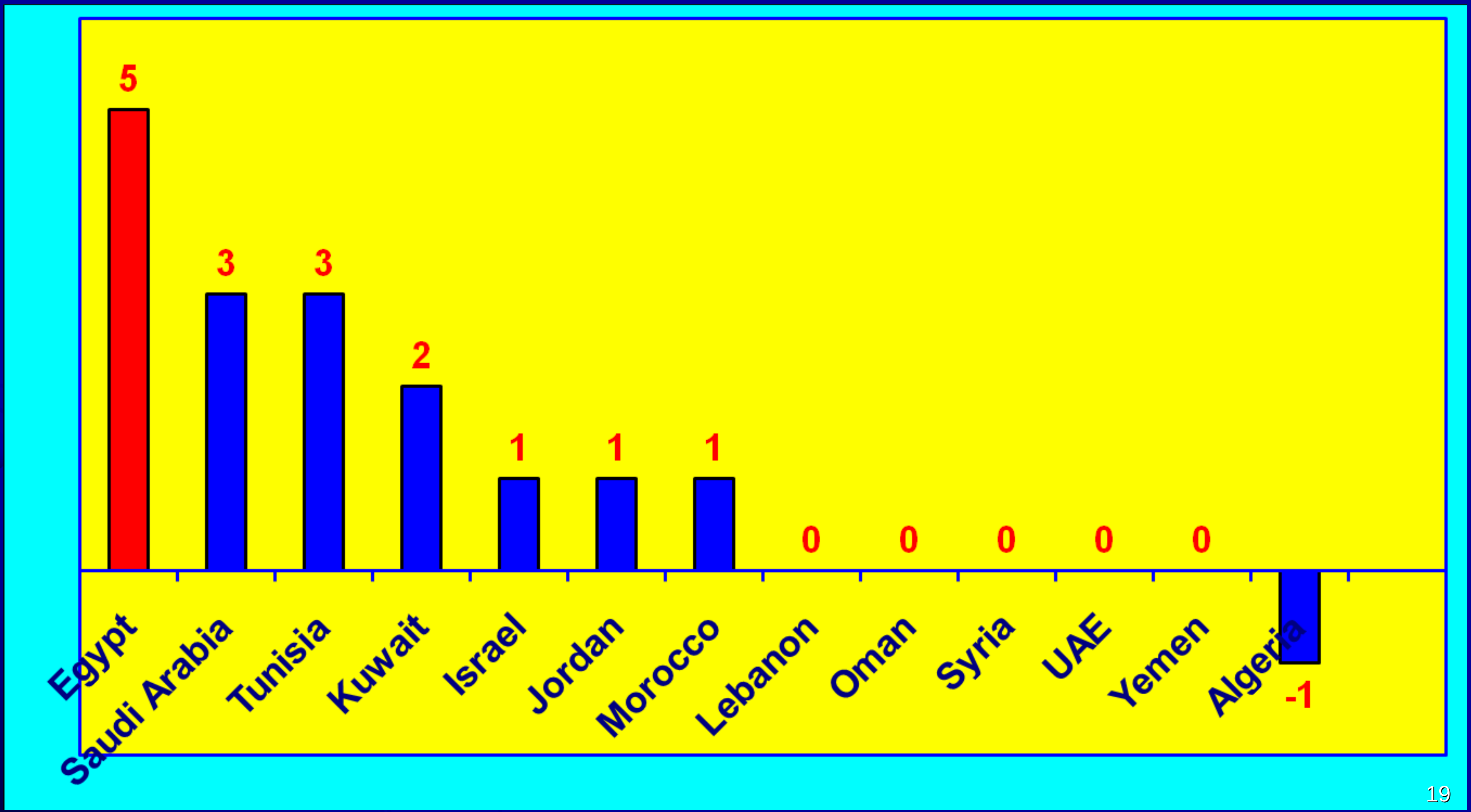
- First pillar: Institutions (legal and administrative framework)
- Second pillar: Infrastructure
- Third pillar: Macroeconomic stability (National savings, inflation, interest rate…)
- Fourth pillar: Health and primary education
- Fifth pillar: Higher education and training
- Sixth pillar: Goods market efficiency (local competition, taxation…)
- Seventh pillar: Labor market efficiency
- Eighth pillar: Financial market sophistication
- Ninth pillar: Technological readiness (ability to absorb new tech)
- Tenth pillar: Market size
- Eleventh pillar: Business sophistication
- Twelfth pillar: Innovation

Global Competitiveness Index (Rank) 2009-2010

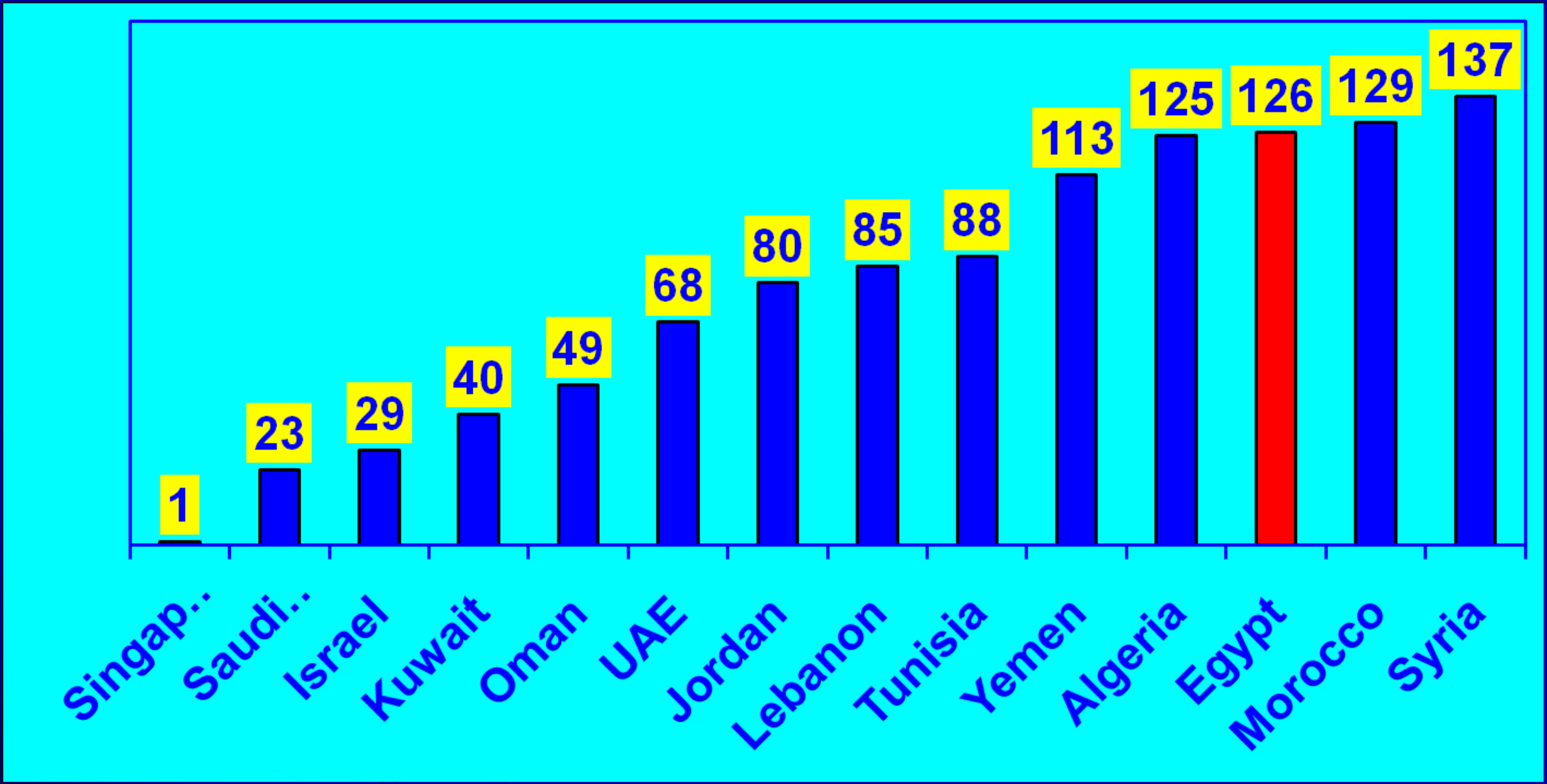
	Egypt	Algeria	Tunisia	Jordan	UAE
GCI 2009–2010	**70**	**83**	**40**	**50**	**23**
GCI 2008–2009 (out of 134)	**81**	**99**	36	48	31
GCI 2007–2008 (out of 131)	77	81	32	49	37
Basic requirements	**78**	**61**	**35**	**46**	**9**
1st pillar: Institutions	56	**115**	23	25	15
2nd pillar: Infrastructure	55	**99**	37	42	6
3rd pillar: Macroeconomic stability	**120**	2	55	**105**	24
4th pillar: Health and primary education	**84**	77	30	57	20
Efficiency enhancers	**80**	**117**	**56**	**66**	**21**
5th pillar: Higher education and training	**88**	**102**	32	42	29
6th pillar: Goods market efficiency	**87**	**126**	39	43	10
7th pillar: Labor market efficiency	**126**	**127**	**98**	**106**	16
8th pillar: Financial market sophistication	**84**	**132**	**87**	52	33
9th pillar: Technological readiness	**82**	**123**	55	61	17
10th pillar: Market size	26	51	66	**82**	54
Innovation and sophistication factors	**71**	**122**	**45**	**51**	**25**
11th pillar: Business sophistication	72	**128**	54	49	19
12th pillar: Innovation	74	**114**	38	59	27

The issue of Reforms

Egypt top reformer in the region and worldwide (2008)



Global ranking

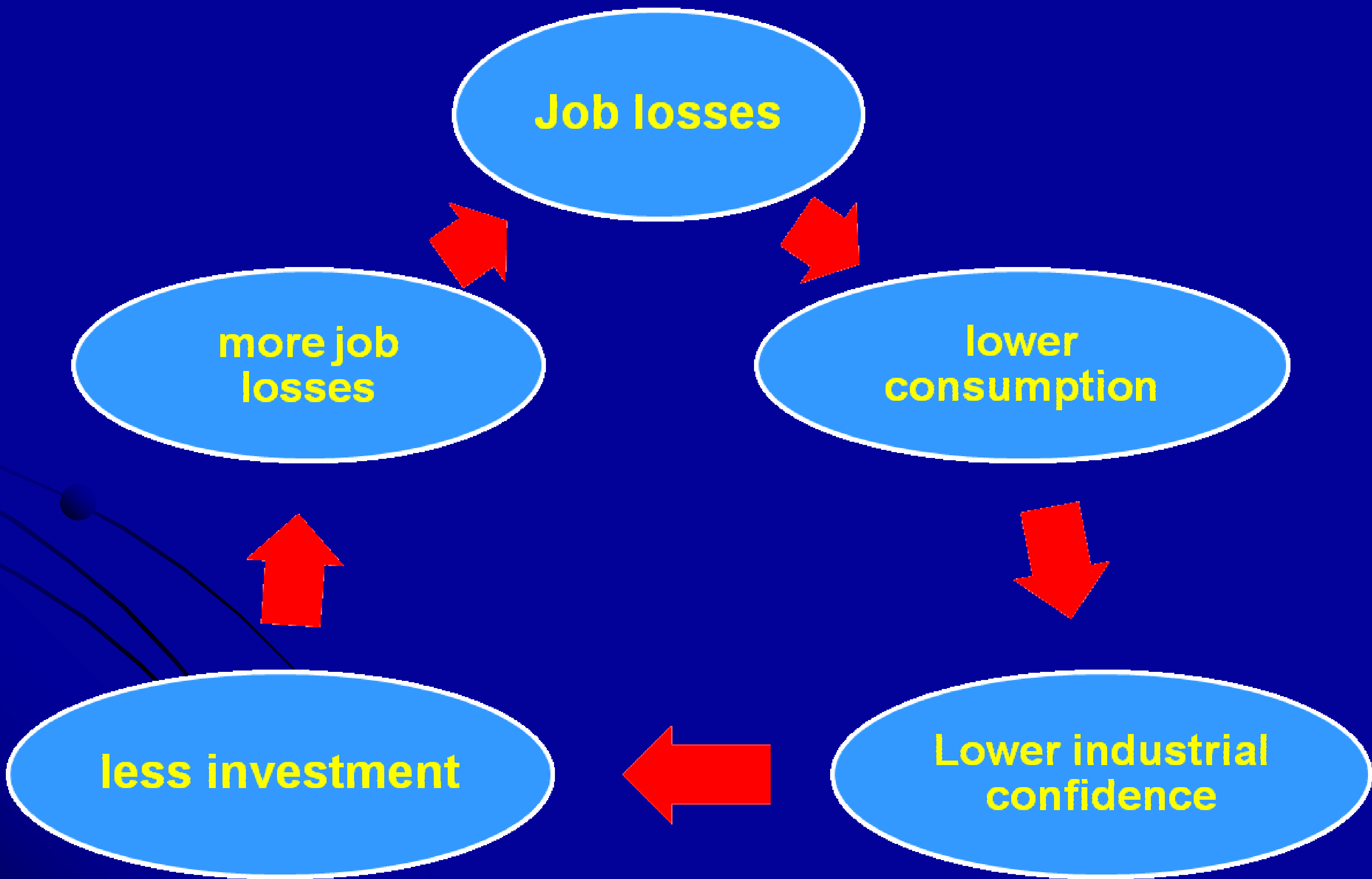


Impact of the Crisis

Prevailing structural challenges and weaknesses represent a greater burden than what the crisis added

- **Job losses in large enterprises higher than in SMEs**
- **Impact on SMEs and their workers arises from two major results of the crisis, namely:**
  - ***Increased difficulties in accessing credit and financial services***
  - ***Reduced demand for goods and services provided by SMEs***
- **Key industry sectors (e.g. automotive, natural resources, etc.) are the more severely impacted.**
- **Result: increase in SME closures increase in employment insecurity, downward pressure on wages, and job losses.**
- **This trend is likely to increase as the crisis deepens, and as long as structural weaknesses are not adequately addressed**

The vicious circle



few positive impacts

- New business opportunities for SMEs
  - as larger enterprises restructure their operations,
  - Broader economic stimulus packages provide new or expanded opportunities (e.g. Infrastructure stimulus packages)
- Experience shows that there is often an increase in the number of micro and small enterprises activities (particularly in the informal economy) as a result of people becoming unemployed.

What to do?
What prospects?

To create Decent Work through the development of SMEs

Promote entrepreneurship CULTURE through:

- Awareness / KAB
- Training of entrepreneurs / SIYB

- **What is needed…**

- **Strengthening the implementation, monitoring and evaluation of sound structural reforms through the elaboration of Policies and Strategies aiming at :**

  - **creating a conducive environment for MSEs sustainable development**
  - **Protecting employers and workers**
  - **Favouring an Employment oriented growth (Decent Work)**
  - **Women and youth empowerment**

- **Planning and implementing adapted TRAINING for WORKERS and SMALL ENTREPRENEURS alike**

- **Strengthening coordination between major stakeholders (Government, Employers, Workers and Civil Society)**

- **Using advocacy and awareness to mobilize local partners**

Conclusions

I would be happy to answer questions and receive comments

Choukran!