International
Labour
Organization

Arab States Employment and Social Outlook – Trends 2024

▶ Promoting social justice through a just transition

EXECUTIVE SUMMARY

Arab States Employment and Social Outlook – Trends 2024

Promoting social justice through a just transition

EXECUTIVE SUMMARY

For decades, the Arab States have grappled with complex geopolitical and security dynamics, which have had far-reaching consequences for economic and labour market development and the attainment of social justice in the region[1]. Between 2011 and 2019, political instability and conflict, as well as global economic conditions, led to varying economic growth trajectories across the Arab countries. The COVID-19 pandemic triggered a regional economic downturn in 2020, which was soon reversed. Notably, by 2021, the growth rate of most Arab economies had not only rebounded but surpassed pre-pandemic levels.

> Between 2011 and 2019, political instability and conflict, as well as global economic conditions, led to varying economic growth trajectories across the Arab countries.

In 2024, GDP growth is projected to stand at 3.5 per cent in the Arab States region, with the GCC subregion projecting a higher economic growth rate of 3.7 per cent compared to the non-GCC states (2.6 per cent). However, the uncertainties stemming from the war in Gaza and the potential escalation of the conflict throughout the region will necessitate a reassessment of projections and forecasts to provide a clearer depiction of the economic and employment landscape in the region.

Indeed, while conflicts have sporadically disrupted economic growth in the non-GCC states, Gulf economies encounter different sets of challenges, primarily manifested in the perpetual volatility of oil prices. This issue stands as a significant concern, emphasizing the pressing need to accelerate initiatives for divesting from oil and pushing towards more resilient and productive industries.

As all Arab States endeavour to promote higher levels of economic growth, they concurrently grapple with the imperative to address labour underutilization and create more and better jobs for the growing working-age population within the region. In 2024, the unemployment rate in the region is projected to stand at 9.8 per cent, persisting above its pre-pandemic level. This failure to reduce unemployment - and other broader measures of labour underutilization - reflects a myriad of factors affecting labour markets in the region.

In the GCC, labour market segmentations between nationals and non-nationals, between the private and public sectors and between men and women have long impacted employment and labour market outcomes. Nationals continue to prefer public sector jobs, whereas the private sector mainly employs migrants under inadequate working conditions. In the non-GCC states, on the other hand, unemployment and labour underutilization challenges have primarily been related to political instability, conflict, economic crises, a weak private sector and demographic pressures. In 2023, ILO figures showed that 17.5 million individuals in the Arab States wanted to work but did not have a job, translating into a jobs gap rate of 23.7 per cent.

Unfortunately, unlike economic indicators that have returned to their pre-pandemic levels, labour market indicators are trailing behind. This suggests that heightened efforts are required to bolster recovery of the labour market. Thus far, endeavours to diversify economies and generate employment in more resilient sectors have been sluggish. While the agricultural sector's overall contribution to employment has decreased over the past decades, the services sector has emerged as the primary job generator, with limited growth witnessed in industrial sectors. The absence of a well-established private sector and inadequate diversification initiatives have impeded progress, contributing to premature de-industrialization.

Labour productivity has also been a concern in the Arab States, stagnating between 1993 and 2023. At the sub-regional level, labour productivity declined in the GCC subregion and increased in non-GCC states, albeit from a very small base. Yet, this improvement in non-Gulf countries has not been substantial enough to bridge the productivity gap between the two subregions.

1. The ILO describes social justice as having four dimensions: universal human rights and capabilities; equal access to opportunities; fair distribution; and just transitions. In his first report to the International Labour Conference, ILO Director General, Gilbert F. Houngbo, presented his vision for advancing social justice including through promoting decent work.

During the same period, employment-to-output elasticities in the GCC and non-GCC states stood at 1.3 and 0.7, respectively, indicating a significant employment response to economic growth. However, despite this dynamic, the region continues to grapple with unresolved employment challenges. High rates of unemployment persist accompanied by the proliferation of informal and low-productivity jobs.

Given this challenging reality and the scarcity of decent and productive paid employment opportunities, a growing number of individuals are pivoting towards entrepreneurship. Interestingly, compared to their GCC counterparts, non-GCC states exhibit a higher prevalence of self-employment, a trend largely fuelled by the limited availability of formal job opportunities. However, within this subregion, those engaged in self-employment tend to operate as own-account workers rather than becoming employers. This choice is primarily shaped by the challenges they face when attempting to expand their businesses. In contrast, self-employment is less common in the GCC, where salaried positions are widely accessible across diverse sectors. The prevalence of own-account workers is relatively low in this subregion, primarily because the business environment in the Gulf states has historically favoured larger corporations.

While a substantial portion of employment challenges in the region is rooted in the Arab economies' struggle to generate an ample number of high-quality jobs for those seeking employment, there are also significant challenges on the supply side, with serious concerns over the quality and relevance of education and skills development programmes in the region. This is particularly worrisome amid the persistent problem of skills mismatch and the elevated rates of unemployment, including among those with high levels of education.

Looking at youth labour market outcomes, data show significant employment obstacles facing those aged 15–24 years, marked by low employment-to-population ratios and elevated rates of labour underutilization. In 2023, the employment rate for youth stood at 19.3 per cent, in stark contrast to the 53.3 per cent employment rate among adults. Of particular concern is the share of youth, especially young women, not in employment, education or training (NEET). In 2023, some 11 million young individuals, of whom more than two thirds were women, were categorized as NEET.

In addition to young people, women are also among the most disadvantaged groups in Arab labour markets. Female labour force participation remains low (19.8 per cent), significantly trailing the male participation rate (74 per cent). Concurrently, and despite strides in education, women continue to face persistently high rates of unemployment. A substantial gender income gap is also evident in the Arab States, where the total earnings of women amount to only 12.5 per cent of men's. Additionally, Arab women's representation in managerial positions is low, underscoring the need for intensified and concerted efforts, not only to encourage women's participation in the labour market but also to support the dismantling of the so-called "glass ceiling".

Women are among the most disadvantaged groups in Arab labour markets… A substantial gender income gap is evident in the Arab States, where the total earnings of women amount to only 12.5 per cent of men's.

Another defining characteristic of the Arab States is an extensive history of labour migration, marked by significant inflows and outflows of migrant workers. As of 2019, the region hosted 24.1 million migrant workers, constituting 14.3 per cent of the global migrant workforce. However, despite their significant contributions, migrant workers encounter less favourable working conditions compared to their national counterparts. This poses a significant challenge to the extensive nationalization efforts, particularly those exerted by Gulf governments, aimed at fostering the employment of nationals within the private sector.

Furthermore, while certain Arab States are primary destinations for migrant labour, several countries also contribute significantly to the global workforce by sending a substantial number of workers abroad. This dynamic is primarily driven by elevated unemployment rates and poor economic prospects within origin countries. Of particular concern is the emigration of a large number of skilled individuals, commonly labelled as a "brain drain". This phenomenon poses a significant challenge to economic development and innovation in countries of origin as it depletes valuable human capital and expertise essential for fostering sustainable growth and progress.

Importantly, and alongside voluntary migration, the region also grapples with forced migration, including a significant number of refugees and internally displaced persons (IDPs). While Syria is the largest source of refugees globally, with millions seeking refuge in neighbouring and non-neighbouring countries, Lebanon and Jordan are major recipients, hosting the highest numbers of refugees per capita in the world. Beyond their already challenging humanitarian circumstances, refugees frequently encounter difficulties in the labour markets of their host countries, where they are forced to compete with the local population over jobs. A significant number of refugees resort to informal employment, often characterized by unfavourable working conditions.

Equally concerning is the upsurge in internal displacement arising from conflict, violence and natural disasters. Syria, Yemen, Iraq and the OPT have faced significant internal displacement crises, imposing tremendous strains on their resources and infrastructure. This displacement has triggered economic instability, intensified competition for jobs and housing, and heightened tensions between displaced individuals and host communities.

Notably, employment challenges in the Arab States region extend beyond mere quantity, encompassing critical concerns related to job quality. High rates of informality persist, with more than half of the workforce engaged in unregulated and precarious forms of employment, lacking access to social protection and many other employment benefits. In 2023, 7.1 million workers, that is 12.6 per cent of total employment in the region, also found themselves trapped in a cycle of working poverty, struggling to make ends meet despite being employed. Moreover, vulnerable employment continues to be a pressing concern in the region, with job security often eluding a significant portion of the workforce.

Today, emerging trends in the world of work, such as the growth of the platform economy, introduce further complexities to the labour market. These developments can exacerbate issues related to job security, fair wages, decent working hours and international labour standards, underscoring the need for comprehensive and innovative strategies that leave no one behind.

Emerging trends in the world of work (...) can exacerbate issues related to job security, fair wages, decent working hours and international labour standards, underscoring the need for comprehensive and innovative strategies that leave no one behind.

Such innovative strategies are also key as the stark realities of environmental degradation and climate change become increasingly visible. This threat, while jeopardizing the future of livelihoods, societies and economies, offers a unique chance for profound economic and social transformation, with great potential to create more and better jobs. Modelling by Cambridge Econometrics for the ILO indicates that, under certain scenarios (e.g. a "climate resilience" scenario), Arab economies could, potentially, see a US$200 billion increase in GDP by 2050 compared with the baseline scenario, representing a 5.0 per cent rise. This is projected to lead to the creation of approximately 2 million additional jobs, translating to a 3.8 per cent increase in employment compared with the baseline scenario. While certain policies outlined in this scenario – particularly strong industrial policies and those geared towards promoting a climate-resilient economy – are significant, the success of a just transition hinges on implementing appropriate policies and measures that support all individuals who might be affected by such a transition, ensuring that no one is left behind.

▶ Policy recommendations

Promoting decent work, including in the green economy, plays a central role in advancing social justice, eliminating discrimination and ensuring that no one, irrespective of their age, sex, nationality or religion, is left behind. Concerted efforts and integrated measures need to consider both the supply and demand sides of the labour market, as well as the intermediation between them. The report presents a set of policy recommendations, as summarised below:

1. Design and implement pro-employment and inclusive macroeconomic and sectoral policies

In addressing the employment needs of the Arab States, efforts to foster meaningful change must prioritize structural transformation and private sector development. Pro-employment and inclusive macroeconomic and sectoral policies should be formulated and implemented to create an environment conducive to decent job creation and inclusive economic growth. These policies serve not only as tools for economic stabilization but should also have clear employment objectives, ideally with some explicit focus on promoting gender equality, facilitating youth employment, and ensuring opportunities for other vulnerable groups.

2. Enable factors for manufacturing growth

The region's failure to industrialize has led to missed opportunities, particularly in view of the limited high value-added services in the private sector. To address this, substantial investments in modern infrastructure, technology, and research and development are needed. Supporting small and medium-sized enterprises is also essential, with a focus on green manufacturing for sustainable development. Incorporating environmentally responsible practices can enhance competitiveness, create green economy jobs, and align with international sustainability goals. Importantly, as countries aim to bolster the manufacturing sector, it is vital for them to concurrently devise a strategy to promote high value-added services. This approach ensures that companies from the region remain competitive amid the global shift toward service-based economies supported by digital technology and artificial intelligence.

3. Improve the skills and education system and promote lifelong learning

Achieving structural transformation goes beyond sector-specific investments; it requires a simultaneous focus on developing human capital and skills. Education and skills policies must align seamlessly with other economic, employment and labour market strategies, necessitating collaboration among national stakeholders, with the active involvement of employers and the private sector. Addressing negative perceptions of technical and vocational education and improving its relevance are also critical as new educational and labour market policies are designed to address the needs of the private sector. Ultimately, policymakers must strive to ensure universal access to lifelong learning to support individuals throughout their lives.

4. Address informality and promote the transition from the informal to the formal economy

Given the prevalence of informality within Arab labour markets and the associated challenges and decent work deficits, prioritizing efforts to promote formalization becomes imperative. This entails adopting a comprehensive and integrated approach targeted at both workers and businesses, aligning with ILO Recommendation No. 204. Key measures include ensuring universal social protection coverage; stimulating formal labour demand through relevant macroeconomic and sectoral policies; improving education and skills; protecting workers' rights; and promoting social dialogue. Simplifying regulatory procedures and reducing bureaucratic hurdles are equally critical to promote business formalization. Strengthening labour inspection and enforcement mechanisms also has a key role to play in supporting the transition to formality.

5. Promote women’s participation in the labour force and bridge the gender gap

Gender equality is another critical dimension of social justice. Bridging the gender gap in employment is essential for harnessing the region’s increasingly educated female labour force and supporting their employment, including in managerial and decision-making positions. This requires implementing a multifaceted approach, encompassing awareness-raising campaigns, increased investments in the care economy, and the design and implementation of family-friendly policies. Additionally, targeted measures must be adopted to address gender pay gaps and tackle occupational segregation. The promotion of women's entrepreneurship is also vital to their economic empowerment.

6. Address inequalities and protect workers' rights in all forms of work

Additional forms of inequality in the region warrant focused attention. Migrant workers, especially in the GCC, face significant challenges, emphasizing the need for fair migration and recruitment processes, improved access to information, comprehensive legal reforms, and robust enforcement mechanisms. Likewise, the rights and well-being of refugees and IDPs across the region must be secured, requiring implementation of legal safeguards, provision of adequate support, and promotion of awareness campaigns to combat discrimination. In the realm of non-standard forms of employment, including in the platform economy, addressing inequalities necessitates both legal reforms and the establishment of comprehensive social protection coverage. Awareness raising along with better data and statistics on platform work are equally critical.

7. Establish robust labour market information systems and support improved capacity for data collection and analysis

Arab countries face notable challenges in collecting, analyzing, and disseminating labour market data. With the ongoing transformations in the world of work, there is an increasing need for reliable and regularly updated information on both the supply and demand sides of the labour market. Crucially, governments need to prioritize the establishment of robust and modern labour market information systems, enabling effective data collection, analysis, and dissemination. This is essential for informed policy development, monitoring and evaluation, and evidence-based decision-making.

8. Promote tripartism and strengthen social dialogue institutions

Social dialogue and the representation of workers and employers in the Arab region are presently weak, impacting the effectiveness of labour market policies, especially for marginalized groups. While social dialogue institutions do exist in some countries in the region, expanding their coverage to include all relevant stakeholders, especially vulnerable groups and those in non-standard forms of employment, is crucial. Ensuring the independence of workers' and employers' organizations, providing capacity-building and facilitating access to accurate information are important prerequisites for meaningful social dialogue.

Further to the above, specific thematic recommendations to encourage a just transition include:

9. Develop a comprehensive and integrated policy framework, encompassing cohesive policies across environmental, economic, social, educational and labour dimensions

Recognizing the significant potential of decarbonization to facilitate both structural transformation and the creation of high-quality jobs, Arab governments should also systematically incorporate just transition aspects into their overarching development-oriented strategies to ensure no-one is left behind. Such strategies encompass two major dimensions:

- macroeconomic, industrial and sectoral policies to stimulate investment in green infrastructure and green industries, spurring economic transformation and diversification, and the creation of quality jobs; and
- fundamental just transition policies to support and protect those most affected by the transition, for example through skills development, social protection and occupational safety and health (OSH) policies.

10. Promote sustainable funding mechanisms for implementing the framework

As governments strive to stimulate growth in the green economy, the role of the private sector in financing the transition cannot be undermined. Long-term strategies and regulatory frameworks, such as tax incentives and streamlined licensing processes, are vital. Public–private partnerships, along with instruments like sovereign green bonds or sharia-compliant green sukuk, can further expand financing avenues. Concurrently, fiscal reforms, including the elimination of energy subsidies, are needed to promote a just transition and support vulnerable groups. Collaboration with international organizations and climate funds is equally essential, particularly for non-GCC countries, to secure green climate fund accreditations and improve access to funding.

11. Raise awareness on the risks of climate change and the opportunities and challenges associated with the green transition

To drive effective climate action, governments should conduct regular campaigns communicating the impacts, challenges, and opportunities of the shift to a low-carbon trajectory. Targeted communication is crucial to reduce uncertainty and support particularly vulnerable groups including youth, women, migrant workers, and those at higher risk of losing their jobs as a result of the transition. Awareness campaigns on climate risks and occupational safety and health standards, particularly in regions with heat exposure concerns like the GCC, are vital. Tailoring campaigns linguistically ensures clear understanding and demonstrates a commitment to the wellbeing and safety of vulnerable groups.

12. Strengthen institutional coordination and social dialogue around a just transition

While ministries of environment and climate change, along with ministries responsible for energy, industry, transportation, waste management, agriculture, and tourism, play a pivotal role in shaping green policies, it is imperative to broaden national engagement. Ministries of economy, labour, and education and training need to be actively involved, considering the profound impact of such policies on both the broader economy and the labour market. Social partners should also contribute significantly to the planning of just transition policies and actively participate in the development of the Nationally Determined Contributions. A critical aspect involves strengthening the institutional and technical capacities of government entities and social partners, requiring strategic investments in knowledge and capacity enhancement.

13. Foster regional cooperation

Cooperation among Arab States is critical for addressing climate change. This entails harnessing the potential of regional networks to strengthen collaboration, sharing knowledge, and pooling resources for a collective response. The establishment of a regional just transition fund, the development of joint strategies to address climate risks, and the consolidation of a unified position in global climate negotiations are also crucial steps. Furthermore, it is essential to create shared solutions for cross-border labour and climate-induced migration, and to establish a comprehensive online database, among other measures.

> To drive effective climate action, governments should conduct regular campaigns communicating the impacts, challenges, and opportunities of the shift to a low-carbon trajectory.

ilo.org

International Labour Organization
Regional Office for the Arab States
Aresco Centre - Justinien Street - Kantari
Beirut - Lebanon