

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.

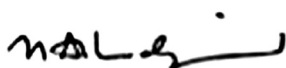
In sum, the pro-market reforms that aspired to replace the old social contract were neither participatory nor inclusive. The artificial trade-off between economic and political rights has been exposed. The two must go hand in hand. This Report emerges amidst continuing conditions of political stress 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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