

Rethinking Informality in Light of the Arab Uprisings **Paper for the ILO by Mansour Omeira, March 2013**

The rallying call for protesters across the Arab region in 2011 has been: “the people want to bring down the order”. A variant of this slogan, “the people want to bring down the [ruler]”, although popular at times, has been found wanting, with popular discontent persisting after the ruler was brought down. The popular rejection of the prevailing social, economic, and political order raises the need for going beyond a piece-meal approach by investigating that order as a precondition for replacing it. The slogans raised in the uprisings have featured intuitive depictions of the prevailing order. The first slogan raised by protesters in Sidi Bouzid, Tunisia, after the self-immolation of Mohammed Bouazizi, the informal street vendor, was “employment is a right, you gang of thieves”.

The contrast between the denied universal right to employment and the narrow privilege of illicit accumulation of riches is a contextual expression of a global phenomenon, the process of uneven development. Taken to the extreme the opposition is between work that generates no money and money that generates money without work. It is striking that during what has been termed the neoliberal era, the Arab region has featured two interconnected processes: informalization of employment relabelled as 'flexibilization of labour markets' and financialization. The Dubai model featuring men building high-rises in indecent conditions alongside other men engaging in casino capitalism became the epitome of this phenomenon.¹ Amidst rising income inequality, old forms of work such as paid domestic work grew in size, particularly among migrant women of colour, despite its exclusion from legal and social protection and ensuing abuses.²

The International Labour Office (ILO) has long used the formality-informality distinction in its consideration of the world of work in the Arab region. An early regional overview of informality was undertaken in the 1970s as part of the ILO International Migration Project.³ A decade after its Regional Office for Arab States reopened in Beirut, the ILO started the first regional project on informality in recent years, under the leadership of the Programme for Gender Equality.⁴ The thinking around informality has since become more integrated in the regional work of other agencies, and has risen to prominence with the advent of Arab uprisings.⁵ The current paper provides an overview of the ILO conceptual framework on informality and discusses its implications by focusing on its relevance to the Arab region in light of recent developments.

The formality-informality distinction

The International Labour Conference of 2002 introduced the concept of the *informal economy*, which “refers to all economic activities by workers and economic units that are – in law or in practice – not

1 For a historical analysis of this phenomenon, see Adam Hanieh, 2011, *Capitalism and Class in the Gulf Arab States*. (New York: Palgrave Macmillan).

2 ILO, 2004, *Gender and Migration in Arab States: The Case of Domestic Workers* (Beirut).

3 The project included a number of country case studies and regional overviews.

4 Project activities started in 2007, with funding from the ILO, the International Development Research Centre (IDRC) and the Arab Gulf Program for Development (AGFUND), and in cooperation with the Centre of Arab Women for Training and Research (CAWTAR). The dissemination phase of the project was funded by the ILO and the IDRC.

5 See for instance World Bank, 2011, *Striving for Better Jobs: The Challenge of Informality in the Middle East and North Africa Region*; United Nations Development Programme (UNDP), 2011, *Arab Development Challenges Report 2011: Towards the Developmental State in the Arab Region*.

covered or insufficiently covered by formal arrangements.” The definition of the informal economy builds on a number of concepts, which are worth discussing briefly. The System of National Accounts (SNA), which is the internationally agreed standard set of recommendations on how to compile measures of economic activity, records three *economic activities*: production, consumption, and accumulation;⁶ the ILO focuses on production activities.⁷ *Workers* are persons who engage in production, which is the use of inputs to generate outputs of goods or services. There can be no production in an economic sense without human involvement or direction.⁸ A necessary condition for an activity to be considered productive is that it be carried out under the control and responsibility of an *economic unit*,⁹ which from the perspective of production is an enterprise. Coverage in law is not a sufficient condition for formality, there needs to be coverage in practice; for the ILO, coverage by *formal arrangements* refers to the application of fundamental principles and rights at work and international labour standards.

In effect, the concept of the informal economy subsumes two approaches to the formality-informality distinction: an *institutional approach* and an *activity-based approach*.¹⁰ In considering the informal economy, the ILO conceptual framework makes the distinction between *informal work* (including *informal employment*), meaning all work that is – in law or in practice – not covered or insufficiently covered by formal arrangements, and *informal enterprises*, meaning all economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements. Such a distinction avoids confusion related to the use of the terms 'informal sector', namely the totality of informal enterprises, and 'informal economy', which was used in the 2002 Resolution on *Decent work and the informal economy* on the one hand to replace the term 'informal sector',¹¹ and on the other hand to encompass both the informal sector and informal employment.¹²

Considering the economy through an institutional approach, two main types of economic units can be distinguished: households and legal entities.¹³ Legal entities are *formal enterprises*; they include government units, corporations, and non-profit institutions. *Informal enterprises* are unincorporated enterprises owned by households. They are not constituted as separate legal entities independently of their owners, and they have no complete sets of accounts available to permit a clear distinction between their production activities and the other activities of their owners. Depending on national circumstances, informal enterprises are typically defined according to the criteria of size (below a specified level of employment), non-registration of employees, and/or non-registration under specific forms of national legislation (such as factories or commercial acts, tax or social security laws,

6 EC et al., 2009, *System of National Accounts 2008*, Para. 4.17.

7 Ibid, Para. 25.37.

8 Ibid, Para. 6.24.

9 Ibid, Para. 5.5.

10 The conceptual framework presented here takes account of the most recent Office proposals to revise and update the international standards of statistics of the economically active population, employment, unemployment and underemployment, which are to be discussed and agreed upon in 2013. For an overview of earlier conceptualizations, see Paul E. Bangasser, 2000, "The ILO and the informal sector: an institutional history", ILO Employment Paper 2000/9.

11 Para. 3. The Resolution criticizes the term 'informal sector' as suggesting that informality is only in one economic sector. In reply, one can note that the 'informal sector' refers to an institutional sector. A stronger rationale for using the term 'informal economy' would be that the SNA defines the total economy as the entire set of resident institutional units; the subset of the total economy consisting of informal enterprises is thus better referred to as the 'informal economy'.

12 Para. 5.

13 EC et al., 2009, Para. 4.6.

professional groups' regulatory acts, or similar acts, laws, or regulations established by national legislative bodies). Households employing domestic workers can be identified separately from informal enterprises.

Considering the economy through an activity-based approach, two units of observation are relevant: persons and jobs.¹⁴ A *job* is a set of tasks and duties performed, or meant to be performed, by one person for a single economic unit. *Work* encompasses all activities performed for economic units by persons of any sex, in order to produce goods or services for consumption by others, or for own consumption. Four main forms of work can be distinguished according to the main purpose of the activity: *own-production work* for own consumption by the producer or by the producer's household members;¹⁵ *employment* for income generation; *trainee work* for gaining workplace experience or acquiring skills; and *volunteer work* for the benefit of others, including their own community or association, but excluding activities performed solely for own household members. *Informal employment* includes contributing family work, self-employment in informal enterprises, as well as wage employment in informal jobs. The last category denotes jobs where the employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement to certain employment benefits (such as advance notice of dismissal, severance pay, paid annual or sick leave).¹⁶

Informality and development policy

The early conceptualization of informality can be traced back at least to post-World War II development policy and theory.¹⁷ The ILO first used the “formal-informal distinction to gain insights into a wide variety of situations” in a 1972 World Employment Programme report on Kenya, and attributed it to researchers in the Institute of Development Studies at the University of Nairobi.¹⁸ According to that report, the informality-formality duality “avoids the bias against the low-incomes sector inherent in the traditional-modern dichotomy”, since both the formal and informal sectors were modern. The earliest explicit reference to the informal sector in an international labour standard came in 1978, in the context of promoting the extension of labour administration services to include activities “relating to the conditions of work and working life of appropriate categories of workers who are not, in law, employed persons”.¹⁹ By 1984, taking “measures to enable the progressive transfer of workers from the informal sector, where it exists, to the formal sector” had become one of the general principles of employment policy.²⁰ In contrast with the current mainstream paradigm of promoting economic growth to generate employment,²¹ the ILO considered that employment policy aimed to “stimulating economic growth and development, raising levels of living, meeting [hu]manpower requirements and overcoming unemployment and underemployment”.²²

14 ILO, 2013, *Report for discussion at the Meeting of Experts in Labour Statistics on the Advancement of Employment and Unemployment Statistics* (Geneva, 28 January–1 February 2013).

15 Such work includes 'unpaid household service' or 'unpaid housework and care work' and is globally feminized.

16 ILO, 2003, *Guidelines concerning a statistical definition of informal employment*.

17 Robert Palmer, 2004, "The informal economy in Sub-Saharan Africa: Unresolved issues of concept, character and measurement", Edinburgh University Centre of African Studies Occasional Paper No. 98.

18 ILO, 1972, *Employment, incomes and equality: A strategy for increasing productive employment in Kenya* (Geneva).

19 Labour Administration Convention, 1978 (No. 150), Art. 7.

20 Employment Policy (Supplementary Provisions) Recommendation, 1984 (No. 169), Art. 9.

21 The trickle-down paradigm remains dominant, and rhetorical innovations such as 'inclusive', 'shared', or 'pro-poor' growth reinforce the logic of setting economic growth as the policy goal instead of undermining it.

22 The ILO perspective is aligned with the thought of economists whose work is helping understand the global economic

Analytically, the ILO linked informality to uneven economic development, and accordingly considered that informality could not be tackled in separation from broader development issues. In his reply to the ILC discussion of 1991, the DG declared: “If, as it would seem, we all agree that the existence and growth of the informal sector are due to imbalanced development, then we must deal with these imbalances”. Seventeen years later, the *Declaration on Social Justice for a Fair Globalization* considered that “the growth of both unprotected work and the informal economy” were the result of “the present context of globalization”, which was “reshaping the world of work in profound ways”. The Declaration of 2008 gave a strong depiction of uneven development on a global scale: on one side, economic growth, employment generation, and poverty reduction; on the other side, increasing informality, income inequality, unemployment, poverty, and vulnerability.

Uneven development is illustrated at the individual level in the “unequal bargaining position between parties to an employment relationship”, which “employment or labour law seeks, among other things, to address”.²³ As such, formality and informality are closely related to the relative power and interests of different socio-economic groups. The promulgation and implementation of legislation addressing inequalities in the world of work, particularly informality, entail the collective self-organization of the affected workers to redress their bargaining power. Respect for freedom of association and the right to collective bargaining are prerequisites for the existence of social dialogue. Various forms of membership-based organizations have helped informal workers gradually transit to formality, ranging from trade unions to cooperatives.²⁴ International organizations of informal workers include StreetNet for street vendors, HomeNet for home-based workers, and more recently the International Domestic Workers' Network. A major initiative promoting synergies between trade unions and cooperatives in organizing informal workers is SYNDICOOP, which was launched by the ILO, the International Confederation of Trade Unions (ICFTU, now the International Trade Union Confederation – ITUC), and the International Co-operative Alliance (ICA).

Job structures are closely related to economic structures, and their evolution is an important indicator of economic development. The quantitative and qualitative characteristics of job structures, including pay, working conditions, benefits, and respect for rights at work, are major determinants of the well-being of societies. The concept of a job structure is in contrast with the often-used concept of a 'labour market', as the latter is incompatible with the ILO constitution, which stipulates that “labour is not a commodity”. Tracking the allocation of jobs across personal characteristics helps uncover the presence of discrimination in employment and occupation. The ILO also upholds the principle of equal pay for work of equal value as enshrined in the Equal Remuneration Convention, 1951 (No. 100).²⁵ According to it, remuneration should be determined by the characteristics of the job, rather than by the characteristics of the person, in contrast with the idea that remuneration should be determined by so-called 'human capital'.²⁶ Respect of this principle would decrease pay inequity, with major benefits for women, since jobs typically undertaken by women typically receive lower pay.

crisis, such as Michal Kalecki and Hyman Minsky.

23 Employment Relationship Recommendation, 2006 (No. 198).

24 Chris Bonner and Dave Spooner, 2011, “Informal Work: Organizing Labour in the Informal Economy”, *Labour, Capital and Society* 44(1).

25 ILO, 2012, *General Survey on the fundamental Conventions concerning rights at work in light of the ILO Declaration on Social Justice for a Fair Globalization, 2008*, Geneva, para. 673.

26 The 'human capital' perspective underlies much of the work assessing evidence of discrimination through regressions.

For policy purposes, a recurrent question has been “whether to promote the informal sector as a provider of employment and incomes; or to seek to extend regulation and social protection to it and thereby possibly reduce its capacity to provide jobs and incomes for an ever-expanding labour force.” This was termed *The dilemma of the informal sector* in the ILO Director-General report bearing the same title, leading to the first major international discussion on informality in 1991. Instead of pitting employment against social protection, the report considered that the way out of the dilemma was “to pursue these two objectives simultaneously”.²⁷ This approach was confirmed in 1999, when along with employment and social protection, the promotion of rights at work and social dialogue were identified as the four strategic objectives of the ILO, with Decent Work introduced as their converging focus.²⁸ In 2002, the International Labour Conference issued a resolution on *Decent work and the informal economy* after a general discussion,²⁹ and in 2007 the ILO organized a tripartite interregional symposium on *Enabling transition to formalization*.³⁰ The *Declaration on Social Justice for a Fair Globalization* of 2008 reaffirmed the need for coherence in advancing the Decent Work Agenda.³¹

The four strategic objectives are inseparable, interrelated and mutually supportive. The failure to promote any one of them would harm progress towards the others. To optimize their impact, efforts to promote them should be part of an ILO global and integrated strategy for decent work. Gender equality and non-discrimination must be considered to be cross-cutting issues in the above mentioned strategic objectives.

References to the informal economy have become more frequent in recent international labour standards. For instance the Promotion of Cooperatives Recommendation, 2002 (No. 193) that governments “should promote the important role of cooperatives in transforming what are often marginal survival activities (sometimes referred to as the “informal economy”) into legally protected work, fully integrated into mainstream economic life”.³² The HIV and AIDS Recommendation, 2010 (No. 200) recalls in its preamble “the importance of reducing the informal economy by attaining decent work and sustainable development in order to better mobilize the world of work in the response to HIV and AIDS”. In light of emerging realities and needs related to informality, the ILO is proceeding to a standard-setting discussion potentially leading to a Recommendation on *Facilitating gradual transitions from the informal economy to the formal economy*.

Observations on informality in the Arab region

Labour force surveys including questions regarding social protection and other job characteristics are the main source for the measurement of informality in the world of work; in the absence of such data, various means can be used to generate estimates.³³ Variations in methodology across time and across countries, and the lack of systematic application of international definitions, limit the possibility of

27 ILO, 1991, *The dilemma of the informal sector, Report of the Director-General to the International Labour Conference, 78th Session*, Geneva.

28 ILO, 1999, *Decent work, Report of the Director-General to the International Labour Conference, 87th Session*, Geneva.

29 ILO, 2002, *Resolution and conclusions concerning decent work and the informal economy*, adopted on 19 June 2002, ILC, 90th Session, Geneva.

30 ILO, 2007, *Decent work and the transition to formalization: Recent trends, policy debates and good practices: Report of the Tripartite Interregional Symposium on the informal economy: Enabling Transition to Formalization*, Geneva.

31 ILO, 2008, *Declaration on Social Justice for a Fair Globalization*, adopted by the International Labour Conference, 97th Session, Geneva.

32 Para. 9.

33 A detailed discussion of measurement issues, data availability, and estimates of informal employment are provided in Jacques Charmes, 2009, *Statistics on informal employment in the Arab region* (Beirut: ILO)

detailed comparison. The informality-formality distinction, while useful, does not fully capture the complexity and diversity of situations in the world of work and their dynamics. Moreover, various categories of workers are inadequately accounted for in available surveys, including large portions of women workers, migrant workers, agricultural workers, and domestic workers.³⁴ With these caveats in mind, it is possible to provide main features of employment in the Arab region with a focus the informality-formality distinction.

The Arab region features the lowest share of women in employment, partly because of measurement issues; this may help explain the unusual feature in the region that informality encompasses a smaller share of women's employment than men's, and women are less likely than men to be employees in informal enterprises.³⁵ Looking at informality from a jobs perspective provides a number of insights. At the bottom of the occupational pyramid in the Arab region are *unpaid household service workers*, which form the largest occupational group. The occupation is so feminized that at times statistical surveys denote 'homemaker' (or 'housewife') solely in the feminine form. It includes the majority of women of working age, along with numerous older women and working girls, whose main activity is unpaid housework and care work. Although this work generates income in kind,³⁶ it generates no money income, so persons who mainly engage in it, essentially women, are dependent on other sources for money income. Often they have to engage in market work at the same time, although this is often under-reported in official statistics.³⁷ Since the work is not recognized as such, it is informal and seldom gives persons dedicated to it access to formal social protection except as dependants, typically of male breadwinners.

The largest occupational group within employment in the Arab region consists of *skilled agricultural, forestry, and fishery workers*. They represent at least a third of total employment in countries such as Egypt, Morocco, Sudan, and Yemen, and an even larger share of women's employment. It is one the most feminized occupations, with women consisting about a third of that group, mainly as contributing family workers. Across the region, labour and social protection legislation essentially excludes contributing family workers, and often also agricultural workers, as well as seasonal and casual workers even if they are in wage employment, as is more frequent among men. As such, agricultural work is often synonymous with informality, as reflected in Egypt (2006) and Yemen (2004), where 95 per cent and 98 per cent of employment in agricultural was informal, respectively.³⁸ High shares of agricultural employment have been linked to increased exposure to risk, poverty, vulnerability, and food insecurity.³⁹

Three occupational groups follow with respect to size: *craft and related trade workers; service and sales workers; and elementary occupations*. Informality is widespread among these groups, and on average, one in every ten of workers in these groups is a woman. The first group includes occupations

34 Ibid.

35 See James Heintz, 2009, *The structure of employment in the Arab States: A comparative statistical analysis of informality, gender equity, and social protection* (Beirut: ILO).

36 Income generated through unpaid household service work is not measured in income statistics, and the work itself is not considered self-employment. See ILO, *Report II: Household income and expenditure statistics, Seventeenth International Conference of Labour Statisticians, Geneva, 24 November-3 December 2003*, Paras. 81-82.

37 See Ray Langsten and Rania Salem, 2008, "Two approaches to measuring women's work in developing countries: A comparison of survey data from Egypt," *Population and Development Review* 34(2): 283-305.

38 Charmes, 2009.

39 ILO, 2008, *Promotion of rural employment for poverty reduction* (Geneva).

such as building, machinery, handicraft, and garment workers. The second group includes personal service, sales, and personal care workers. The third group includes domestic workers, labourers, and street vendors. Domestic workers and construction workers are often migrants with indecent working and living conditions; in Saudi Arabia (2008), two-thirds of workers employed by households were women, whereas virtually all workers in construction were men. It is frequent to learn of cases of deaths among these two groups of migrant workers, whether by accident or suicide, but they are seldom properly investigated.

Two occupational groups which often enjoy formal terms and conditions of work are *technicians and associate professionals*, along with *professionals*. Their relatively small numbers in the region reflects the prevalence of low-productivity economic activities. On average, women constitute about a third of these two groups, which require more advanced educational qualifications; women are likely to work in care occupations such as teaching and nursing. The second group includes teachers,⁴⁰ who are often public sector workers whose level of organization varies across countries, as well as persons engaged in liberal professions such as medical doctors and engineers, whose membership in professional associations provides a number of benefits. The first group often enjoys less formal terms and conditions than the second one, but may also enjoy good benefits if well organized. Sometimes, persons working as professionals may be formally considered as associate professionals, as is the case for instance of Palestinian refugees in Lebanon as they are legally excluded from professional associations.⁴¹

Two occupational groups follow in terms of numbers: *plant and machinery operators and assemblers* and *clerical support workers*. Women constitute less than 5 per cent of the first group, which includes masculinized occupations such as drivers and machine operators, and about 25 per cent of the second group, which includes secretaries, a typically feminized occupation. The level of informality in these occupations is typically low. In many countries of the region, the first informal sector surveys targeted the transport sector. Although secretaries employed in the formal sector may sometimes enjoy comparatively more formal conditions, they are often prone to forms of discrimination such as sexual harassment and pay inequity.

The peak of the occupational pyramid in the Arab region consists of *legislators, senior officials and managers*, as well as *armed forces occupations*. The first group typically enjoys higher incomes as well as various job benefits, with women representing about 10 per cent among them on average. The numbers of armed forces are not always reported for state security reasons. This occupational group typically enjoys the most formal conditions, and is the most masculinized. Armed forces often have their own social security schemes and social services, along with job stability and typically advantageous retirement conditions, even if the income may be limited. The military power held by armed forces has been crucial in tipping the balance between conflicting political groups in various Arab countries. Their economic power is also substantial, particularly in countries like Egypt where they own large enterprises, and they are often the favoured recipients of foreign assistance.⁴²

40 Teaching is perceived as a typically feminized occupation and may feature low wages and large gender pay gaps. See for instance ILO, 2010, "Pay equity in Jordan," *Policy Brief 9* (Beirut).

41 See Jad Chaaban et al., 2010, *Socio-economic survey of Palestinian refugees in Lebanon* (AUB, UNRWA: Beirut).

42 See for instance Shana Marshall and Joshua Stacher, 2012, "Egypt's Generals and Transnational Capital", *Middle East Report* 262.

Informality and the dominant policy paradigm in the Arab region

The uprisings across the Arab region have signalled the necessity of an alternative development paradigm which stands in contrast with the previously dominating one. Such an alternative, however, has yet to become a reality: despite some short-term changes, post-uprising governments have yet to break with past policies.⁴³ The diversity of the Arab region in terms of social, economic, political, and natural conditions implies that a regional overview can only provide rough generalizations, which need to be investigated at the local level with the relevant actors.

With this caveat in mind, it is possible to present in a broad brush the paradigm that has dominated economic policy thinking and practice across the region in recent decades. This paradigm has exhibited biases against decent work and gender equality, with tremendous socioeconomic repercussions, particularly as it relates to increasing informality.

The dominant policy paradigm has proclaimed economic growth as the central aim of economic policy, and has accordingly pushed for changes in policy and institutions in line with that stated aim, under the assumption that the benefits of economic growth would trickle down to the population, including by generating employment opportunities. 'Fiscal responsibility' was also a central concern in achieving that aim. The economic growth performance of the region since the 1990s, however, actually stalled both as compared with other regions, and as compared with the region's own performance in the 1950s-1970s, when catching-up was taking place. Not only did employment opportunities fail to grow sufficiently as the region witnessed 'jobless growth', income inequality increased and employment grew more informal.⁴⁴ While indicators of personal distribution of income are less conclusive, the functional distribution of income deteriorated drastically, as represented by a rapidly falling share of wages in the gross domestic product.⁴⁵

Such poor economic growth and employment outcomes are hardly surprising from the perspective of economic theory. More than twenty-five years ago, Hyman Minsky wrote:⁴⁶

The emphasis on investment and "economic growth" rather than on employment as a policy objective is a mistake. A full-employment economy is bound to expand, whereas an economy that aims at accelerating growth through devices to induce capital intensive private investment not only may not grow, but may be increasingly inequitable in its income distribution, inefficient in its choices of techniques, and unstable in its overall importance.

As economic growth was promoted as the policy goal, the private sector was considered the preferred employment generator. The push was for cutting on the provision of employment, investment, and consumption by the public sector, along with trade and financial liberalization.⁴⁷ The underlying rationale was that private, particularly foreign, investment needed to be 'incentivized' and attracted. As emphatically expressed in an OECD report, across the region "investment attraction strategies have

43 On this, see Patrick Bond, 2011, *Will neoliberal financiers paralyse Palestine and chill the Arab Spring?*

44 For an assessment, see Ali Kadri, 2012, "Unemployment in the post-revolutionary Arab world," *Real-World Economics Review* 59.

45 See ILO and UNDP, 2012, *Rethinking economic growth: Towards productive and inclusive Arab societies* (Beirut), pp. 64-65.

46 Hyman Minsky, 2008 [1986], *Stabilizing an unstable economy*, McGraw Hill, p. 235.

47 See Destremau and AbiYaghi, 2009 on the transformation of social policy. For the link with financialization globally, see Ben Fine, 2012, "Financialization and Social Policy," *The Global Crisis and Transformative Social Change*.

increasingly taken the role of the interventionist industrial policies of the past”.⁴⁸ This approach proved ineffective even according to its stated aims, as economic growth and employment failed to pick-up.⁴⁹ Meanwhile, social protection systems were restructured, moving away from universality as exemplified by the lifting of food subsidies which often led to so-called 'bread riots', and towards targeting as illustrated in conditional cash transfers.

The region witnessed de-industrialization, as the share of agricultural employment often increased, and with the expansion of low-value added tertiary sector jobs, informality became more widespread, and could become the norm even in formal enterprises.⁵⁰ As such, it is no exaggeration to consider that informalization has been a policy choice in the Arab region. Following the institutional approach to informality, it is possible to identify the various 'tax exemptions', particularly in 'economic zones', 'export-processing zones', and 'qualifying industrial zones' as promoting informality by exempting enterprises from specific forms of national legislation. Such policies have failed to create virtuous cycles with positive feedback effects to the rest of the economy. Instead, they have sometimes meant that foreign capital would employ migrant workers under indecent conditions, and export the products to other countries, with little benefit to the host country. With increasing awareness of violations to workers' rights in such situations, initiatives to promote improved terms and conditions of employment were introduced, as exemplified by the Better Work program in Jordan. Despite efforts, progress has been slow, notably as regards non-discrimination and freedom of association.⁵¹

Freedom of association was undermined as existing trade unions become prone to extensive government intervention at the expense of their independence, representativeness, and effectiveness.⁵² The extent to which political authorities became in control of trade union structures is highlighted by the positioning of workers' organizations with respect to the Arab uprisings. Organizations such as the Tunisian General Labour Union (UGTT) and the General Federation of Bahrain Trade Unions (GFBTU), which took a leading role in the mass movements, have found themselves at odds with the International Confederation of Arab Trade Unions, the majority of which took positions that ranged from ignoring to condemning the uprisings, particularly independent workers' action. The emergence of independent workers' organizations across the region, as exemplified by the Egyptian Federation of Independent Trade Unions (EFITU), suggests positive prospects for the self-organizing of formal and informal workers.

The so-called 'flexibilization of labour markets' became the main motive for revising labour and social security legislation in a number of countries. The phenomenon of 'law-shopping', as Alain Supiot calls it,⁵³ took place at an increasing scale, as governments of the region competed to improve their position in rankings such as the World Bank Doing Business reports, the World Economic Forum Global Competitiveness reports, and the Fraser Institute Economic Freedom of the World reports.⁵⁴ Instead of

48 OECD, 2005, *Incentives and Free Zones in the MENA region: A Preliminary Stocktaking* (Paris), Para. 10.

49 The theoretical explanation for the ineffectiveness of this approach can be seen in Michal Kalecki, 1943, "Political aspects of full employment," *The Political Quarterly* 14(4): 322—330.

50 For instance in 2003-2004, more than 90 per cent of workers in private formal enterprises in Syria lacked social insurance coverage. See ILO, 2010, "Gender, employment, and the informal economy in Syria," Policy Brief 8 (Beirut).

51 See ILO and IFC, 2012, *Better Work Jordan: Garment Industry 4th Compliance Synthesis Report*.

52 See ILO and UNDP, 2012, op. cit. pp. 108-110.

53 Alain Supiot, 2012, *The spirit of Philadelphia: Social justice vs. the total market* (Verso).

54 For an overview, see Mansour Omeira, Simel Esim, and Sufyan Alissa, 2008, *Labor Governance and Economic Reform in the Middle East and North Africa: Lessons from Nordic Countries*. ERF Working Paper No. 436 (Cairo).

policy coordination at the regional level, many governments in the region participated in what is known as a race to the bottom, whereby workers' rights needed to be undermined to increase 'economic confidence'. Social dialogue was thus typically diluted where it existed, and often became ceremonial.

The privatization and creditor biases underlying the dominant policy paradigm, along with the male breadwinner model shaping labour and social security policy and legislation,⁵⁵ are also gender biases: women tend to become the providers of last resort when public provision of services is diminished or debts need to be repaid.⁵⁶ In light of the increasing need for work in the household, typically undertaken by women, women's labour force participation failed to pick up, and even decreased in some cases. The push for increasingly relegating women to work at home is therefore the consequence of policies promoted by international financial actors, and has been largely in line with the priorities of conservative elements. It is therefore not surprising to see both sets of actors in agreement on the policy front in the emerging governments of the region.

Rather than tackling root causes, supply-side policies became the norm in the world of work, particularly under the guise of promoting employability.⁵⁷ Instead of promoting wage employment, which provides most job benefits given the legislative frameworks of the region, the priority became for the promotion of self-employment, even though own-account work is typically considered as vulnerable employment by definition. The mainstream policy paradigm considers that the 'human capital' and 'productive potential' of women engaged in unpaid care and household work is being 'wasted'. But the introduction of alternative care provision schemes to support women's labour force participation is seldom on the agenda, since it contradicts the aim of decreasing social security provision by the state, beyond mere 'safety nets'.

Instead, entrepreneurship training and micro-credit support are often celebrated as tools for women's economic empowerment, despite the additional time and financial burdens they carry and the informality of the jobs they create.⁵⁸ Poor women, in particular, were to be enabled to become entrepreneurs through training and provision of micro-credit. Rather than gender equality being a macroeconomic policy issue, the dominant paradigm made it a microeconomic issue, which therefore needed only micro-solutions. This piece-meal approach became apparent even in the application of the Job Creation in Small and Medium-Sized Enterprises (SME), 1998 (No. 189), as the focus was on fostering an 'entrepreneurship culture' without taking into account the complexity of various situations. Targeted women often used the funds for consumption purposes, and had to bear an increased debt burden, while new micro-businesses typically could not compete, and in fact often out-competed each other.⁵⁹ The Palestinian case, where non-employment and informal employment are intrinsically linked to the de-development policies of Israeli military occupation,⁶⁰ illustrates the inadequacy of the piece-

55 On this and how to extend social protection to informal workers, see Wouter van Ginneken, 2009, *Gender, rights and the informal economy: Extending social protection in Arab countries* (Beirut: ILO).

56 Diane Elson, and Nilufer Cagatay, 2000, "The social content of macroeconomic policies," *World Development* 28(7): 1347-1364.

57 Mansour Omeira, 2008, "Schooling and women's employability in the Arab region" *Al-raida*.

58 Nabil Abdo and Carole Kerbage, 2012, "Women's entrepreneurship development initiatives in Lebanon: micro-achievements and macro-gaps," *Gender & Development*, 20(1): 67-80.

59 For this process in the case of Lebanon, Abdo and Kerbage, 2012, "Women's entrepreneurship development initiatives in Lebanon: micro-achievements and macro-gaps", *Gender & Development*.

60 ILO, 2008, *Protecting workers in the West Bank and Gaza Strip*, Policy Brief 2 (Beirut).

meal mindset that has dominated aid efforts.⁶¹

The focus on individual entrepreneurship as the means for employment generation came at the detriment of cooperative and public entrepreneurship.⁶² Interestingly, Hernando de Soto, who has been a main proponent of this approach, has seen in the case of Mohammed Bouazizi a confirmation of his own views: a “repressed entrepreneur” who was not enabled to engage in business because of burdensome regulations.⁶³ He failed to note, however, that Bouazizi had tried to secure a wage employment job in the army and other sectors, and only after many failed attempts had to resort to street vending; in the absence of adequate social protection, his earnings were essential for the survival of his family and the education of his siblings.⁶⁴ Bouazizi's final act was a response to the undermining of his human dignity and the blocking any other means for him to exercise his agency. The ensuing popular movements were an expression of human solidarity and reflected the power of collective agency to restore respect for human dignity.

The link between informality and productivity is complex. The large size of agricultural employment in the region reflects agricultural productivity deficits that are the result of specific policy choices and can be remedied by a range of alternative policies.⁶⁵ But it is often claimed that informality is mainly in low productivity activities, and that increasing productivity and formality are closely intertwined. This assertion can hardly be reconciled with another assertion, namely that the public sector is the most formal but also typically criticized for its low productivity. This suggests that while there may be a correlation between low productivity and informality, the relationship is not clear cut, as raising productivity without adequate institutional frameworks may not translate into more formality. Organizing producers across the value chain can contribute to improving both productivity and formality, but may face a number of challenges depending on the context.⁶⁶

For such productivity increases to take place, a crucial issue is emulation and the adoption and adaptation of recent technologies to create new economic opportunities, which need to be supported at least at an initial stage through such policies as selective protectionist measures.⁶⁷ This dimension, which is crucial for entrepreneurship to be effective, has seldom been discussed. Closely related to that question is the issue of production of knowledge in the region, which has lagged as highlighted in UNDP Arab Human Development reports. It is interesting to note that the economic policies promoted in the region have been supported through 'knowledge centres' that have been linked to interests that would benefit from these policies.

The link between higher educational attainment and formal employment in Arab countries is important.⁶⁸ Yet more education does not necessarily translate into access to formal employment, and

61 For a discussion, see Nadia Hijab, Alaa Tartir, and Jeremy Wilderman, 2012, “A new approach to Palestinian aid,” *Foreign Policy*, November 6.

62 Blandine Destremau and Marie-Noëlle AbiYaghi, 2009, *Workers' security and rights in the Arab region* (ILO: Beirut).

63 Hernando De Soto, 2011, “The Real Mohamed Bouazizi,” *Foreign Policy*, 16 December.

64 Yasmine Ryan, 2011, “The tragic life of a street vendor,” *Al Jazeera*, 20 January.

65 On such policies, see Ha-Joon Chang, 2009, “Rethinking public policy in agriculture: lessons from history, distant and recent,” *The Journal of Peasant Studies* 36(3): 477-515.

66 For the case of rural women and conflict, see Simel Esim and Mansour Omeira, 2009, “Rural women producers and cooperatives in conflict settings in the Arab States,” presented at the FAO-IFAD-ILO Workshop, Rome, March-April.

67 See ILO and UNDP, 2012, op. cit., pp. 110-113.

68 See for instance Ibrahim Elbadawi and Norman Loayza, 2008, “Informality, Employment and Economic Development in the Arab World”, *Journal of Development and Economic Policies* 10(2).

given the prevalence of the phenomenon of educated unemployment, particularly for women. It is necessary to promote a wider range of educational opportunities for women and men that can contribute to economic development, such as life skills, technical and vocational education and training, or science and technology. Yet the promotion of education without an employment policy generating socially acceptable jobs that require the skills it confers leads to migration of the educated, unemployment, underemployment, informality, and losing confidence in the value of education. Potential setbacks can include resorting to alternatives such as child labour, early marriage, and discarding the value of education.

It is the demand for specific skills that encourages investment in those skills, not the other way around.⁶⁹ The experience of Arab countries, however, with securing employment for university degree holders, was unsustainable since it emphasized formal credentials rather than actual ability. Around the world, successful catching up has involved a set of strategies including increasing the level of education, focusing on science and engineering in higher education, creating public institutions for industrial research servicing industrial firms, and ensuring open access to science and technology through international networks and typically low enforcement of intellectual property rights on existing technology.⁷⁰

Looking forward

The uprisings were rooted in social, economic, and political discontent against the prevailing order. “Revolution is born from sorrow's womb,” in the words of the poet Nizar Qabbani. Against claims of Arab cultural specificity, the uprisings illustrated the universal appeal of respect for human dignity and human solidarity, and the related aspirations for real democracy and social justice. The universality of these values explains how movements across the region brought hope to each other and also inspired other movements around the world. This universality underlies the mandate of the ILO as expressed in its constitution: “all human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity”. Informality undermines the ability of all human beings to enjoy such conditions, and is antithetical to decent work, even in situations whereby inadequate legislation encourages its non-application.

At this crossroads, governments in the region have numerous policy choices to make. These choices can be broadly categorized under two broad choices: 'back to business as usual' and an 'alternative development paradigm'. The emerging trend in a number of countries in the region appears to be 'back to business as usual', while allowing for a variety of short term measures. This reinforcement of the old paradigm has been facilitated by the militarization of social conflicts and by financial inflows that have promoted ideologies fomenting discriminatory grounds on such bases as gender, religion, national extraction.

The elaboration of alternative policies will require open and critical review of past policies that have promoted informalization, and engaging with socio-economic thinking and practice based on the experience of the Arab region and elsewhere. It will also involve the recognition that economics is not a value-free science and that policy choices may have conflictual implications for various groups of

69 See ILO and UNDP, 2012, op. cit., pp. 76-77.

70 See UNIDO, 2005, *Industrial Development Report* (Vienna).

society, which needs to be translated in revising socio-economic curricula. The strengthening of research, education, and training institutions that aim to improve the welfare of disadvantaged groups, particularly informal workers, can also have a positive impact in enhancing pluralism in the academic and policy debates. Networks of researchers and educators engaged on such issues can be strengthened through closer connections with the groups they aim to support, as well as with similar networks around the world.⁷¹

An alternative development paradigm centred on full employment and decent work for all women and men will require policy coherence. The universality of the social and economic rights agenda, along with the democratic legitimacy of the process, can provide the basis for addressing informality in a sustainable manner. Universality is translated in basic trade union rights for all, the promotion of full employment in line with the Employment Policy Convention, 1964 (No. 122), and of universal basic social protection in line with the Social Protection Floors Recommendation, 2012 (No. 202). For many countries the elaboration of alternatives will involve renegotiation with donors and economic partners, to prioritize social and economic rights rather than dominant narrow interests. Since policy coherence cannot be confined at the national level, regional and international coordination will be necessary, including on such areas as migration, trade, and finance.

Coordination entails social dialogue at multiple levels, and has a number of preconditions, notably the respect of fundamental principles and rights of work. But as recent developments suggest, freedom of association and the right to collective bargaining are being increasingly curtailed, notably through the establishment and reinforcement of government-controlled unions. This is partly a reflection of the ability of independent trade unionism to provide the collective agency necessary to challenge the prevailing paradigm. As it stands, the promise of democracy and social justice is perceived by many to have been betrayed. The prospects for an alternative development paradigm will be determined by the emerging balance of forces in different contexts, which will largely hinge on the ability of different groups of informal workers to organize themselves and build alliances with other social groups. Therefore, supporting efforts for the independent self-organization of women and men workers and enabling policy and institutional reforms along democratic and socially just lines should be a major priority.

71 Examples at the international level include Women in Informal Employment: Globalizing and Organizing (WIEGO) and the Global Labour University. The recently established World Economics Association, which is committed to pluralism, is currently the largest association of economists in the world.