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The global financial, economic and social crisis and the Arab countries:

A review of the evidence and policies for employment creation and social protection

Zafiris Tzannatos

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Arab Employment Forum
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Thematic Background Papers for the Arab Employment Forum

A series of companion papers were prepared to inform participants and frame the discussions of the thematic sessions of the Arab Employment Forum. The subjects of these thematic papers are:

1. Growth, employment and decent work in the Arab region: Key policy issues;
2. International labour migration and employment in the Arab region: Origins, consequences and the way forward;
3. Tackling the global jobs crisis through social dialogue: Issues, challenges and perspectives in the Arab region;
4. Supporting recovery policies through international labour standards and respect for workers' rights: Issues and challenges for the Arab region;
5. Building adequate social protection systems and protecting people in the Arab region; and
6. Sustainable enterprise development and employment creation in the Arab region: A review of issues.

The choice of the themes reflects the priority areas and employment challenges facing the Arab region, particularly as a result of the global financial and economic crisis. These thematic papers provide the background material for the realization of commitments made at the global and regional levels on decent work and on the implementation of the Global Jobs Pact. Moreover these papers are complementary to ILO approaches and they build on an ongoing process to support the realization of decent work at the global level.

At the Fourteenth Asian Regional Meeting held in Busan, Korea, in August/September 2006 the tripartite delegates launched an Asian Decent Work Decade and committed to the achievement of specific decent work outcomes. The Meeting recommended cooperation on specific initiatives at the regional level, where joint action and sharing of knowledge and expertise will contribute to the realization of decent work. Recommendations also included strengthening employment services, developing reliable regional statistics to complement decision-making, providing support services for small enterprises, establishing benchmarks and good practices on the extension of social protection and strengthening labour inspection, dispute prevention and settlement.¹

At the 11th African Regional Meeting, which took place in Addis Ababa in April 2007, tripartite delegations from Arab countries in Africa committed themselves to a series of targets for the development of integrated Decent Work Country Programmes to accelerate progress towards the achievement of agreed international development goals including the Millennium Development Goals. The conclusions of the Meeting emphasized specific goals, including closure of the skills gap, social inclusion through job creation, tripartism as a key governance mechanism for inclusive poverty-reducing growth, a fair regional policy on migrant workers, freedom of association, the elimination of child labour, slavery and discrimination, the extension of a basic social protection package for poverty reduction, and escape from the informal economy trap. The constituents also committed themselves to the African Decent Work Decade for the period 2007-2015, following up on the conclusions of the Ouagadougou Summit of 2004 and its Declaration, Plan of Action and Follow-up Mechanism on Employment and Poverty Alleviation in Africa.²

The conclusions of the 35th Arab Labour Organization Conference in April 2009 called for greater regional cooperation in the areas of employment, human resources and social dialogue. The Conference conclusions placed emphasis on developing regional initiatives, including a unified Arab Labour Law, and creating regional mechanisms to tackle shared challenges, such as the establishment of an Arab Tripartite Forum and an Arab Labour Market Information system. The ALO has highlighted the need for greater regional cooperation and coordination with the ILO to address the financial and economic crisis. The ALO, in cooperation with the ILO, organized the Arab Forum on Development and Employment in November 2008 that resulted in the Doha Declaration, which identifies a shared set of regional priorities. The subsequent Arab Economic, Social and Development Summit (Kuwait, January 2009) ushered in the Arab Decade on Employment (2010-2020) that established clear goals for the region, such as decreasing unemployment, halving the percentage of working poor, enhancing production, promoting worker training, supporting small and medium enterprises and continuing the ratification process in the region towards full compliance with international and Arab labour standards.

1 For further information, visit <http://www.ilo.org/public/english/region/asro/bangkok/>

2 For further information, visit <http://www.ilo.org/public/english/region/afpro/addisababa/index.htm>

List of Acronyms

AHDR	Arab Human Development Report
ALMPs	Active Labour Market Programmes
ALO	Arab Labour Organization
DE	Diversified Economy
EAP	East Asia & the Pacific
ECOSOC	Economic and Social Council
EIU	Economist Intelligence Unit
ESCWA	Economic and Social Commission for Western Asia
EU	European Union
FDI	Foreign Direct Investment
FTSE	Financial Times Stock Exchange
G20	Group of 20 High Income Countries
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Countries
ILO	International Labour Organization
ILS	International Labour Standards
IMF	International Monetary Fund
KCTU	Korean Confederation of Trade Unions
KILM	Key Labour Market Indicators
LAC	Latin America & the Caribbean
LAS	League of Arab States
LNG	Liquefied Natural Gas
MENA	Middle East and North Africa Region
MOE	Mixed Oil Economy
MoL	Ministry of Labour
NIESR	National Institute of Economic and Social Research
NRA	National Regulatory Administration (US)
ODA	Overseas Development Aid
OE	Oil Economies
OECD	Organisation of Economic Cooperation and Development
oPt	Occupied Palestinian Territory
PEE	Primary Export Economy
PPP	Power Purchasing Parity
QIZ	Qualified Industrial Zones
SEC	Securities and Exchange Commission (US)
SMEs	Small and Medium Enterprises
UI	Unemployment Insurance
UK	United Kingdom
US	United States
UAE	United Arab Emirates
UNDP	United Nations Development Programme
WTO	World Trade Organization

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Executive Summary

Despite early rather optimistic reports on the relative insulation of the Arab economies from the adverse effects of the global economic crisis, the Gulf Cooperation Council (GCC) economies were immediately impacted and others have started to be affected by reduced trade, decline in foreign direct investment (FDI), reduced economic activities and diminishing worker remittances. Most Arab governments have started taking steps to mitigate the adverse effects of the crisis, but such measures do not yet constitute a comprehensive response and may miss addressing two major challenges facing the region: employment creation and adequate social protection. Based on international experience with past crises and recent economic forecasts, it may take on average four to five years for economies to recuperate the level of incomes they had at the onset of the crisis, while reaching the pre-crisis employment levels can take even longer. And, even if countries get employment back to its pre-crisis levels quickly, there was already a decent-work deficit before that would still need to be addressed.

The objective of this paper is to provide a better understanding of the links between the global economic crisis, employment creation and social protection in the Arab economies, and identify key policy areas for the attention of governments and social partners. Though the emphasis is on the short term, the paper's suggestions take into account the longer-term development needs of the region against structural challenges that existed before the onset of the crisis. Among the long list of pre-existing challenges, the most relevant ones are the difficulties faced by Arab economies in creating jobs, the low demand for skills and inadequate social protection, all of which resulted in slow progress toward decent work while perpetuating labour market malfunction.

Crises create opportunities and, rather than examining what went wrong, the paper proposes a forward-looking approach by reviewing some of the previously considered regional weaknesses as strengths. *Youth is not a problem, but an asset* that can pave the way to higher productivity and wages, given that their educational attainment is higher compared to existing workers. *The still growing population is lowering the dependency rate* on the economy and can provide a window of opportunity for consolidating and expanding social security. *The increasing number of women workers can intensify the previous two effects* by their improving (and often higher than men's) education and further lowering the dependency rate. *The low coverage and inadequacy of social insurance*, including the lack of unemployment insurance, may create the necessary political consensus

for increasing social protection as the crisis may bring insecurity to more people than those who benefit under existing arrangements. Finally, *intra-regional migration* can create a greater labour pool and, if managed in line with the decent work principles and international conventions, can reduce unemployment among national workers in labour-receiving countries while respecting the rights of expatriate workers.

The paper proposes that the Arab countries adopt a new integrated approach with the twin objectives of increasing the opportunities for decent work, paving the way for quality and sustainable growth, and expanding social protection. Despite their diversity, a largely common approach among the Arab economies should be to rely more on public-private partnerships for job creation instead of relying only on one or the other, building their social protection systems in a way that will increase labour mobility and security, increasing both the education of job seekers and the demand for skills, and effectively managing international labour migration.

More specifically, the paper identifies the following four policy priority actions in view of the global crisis:¹ (a) making employment and improving employability an explicit target of economic policies that can range from fiscal and investment stimulus at the macro level to enhancing the scope and effectiveness of active labour market policies; (b) introducing or expanding unemployment insurance that has the double advantage of providing income protection while increasing flexibility by reducing resistance to short-term job loss; (c) creating a social protection floor through cash transfers that can prevent children from dropping out of school during the crisis while reducing child labour, and social pensions that can supplement the existing social security schemes that offer limited coverage; and (d) adopting policies that respect both the right of nationals to employment and the fundamental rights of migrant workers, while maximizing the benefits and minimizing the risks of work-based migration.²

Three recommendations are made at the institutional level: (a) the capacity of the labour ministries should be strengthened to promote and monitor the centrality of employment in the broader economic policy setting, include employment generation as a key objective in the national development plans and support policy co-

1 This paper focuses on labour and social areas. Of course, there are many more areas to be addressed by governments, social partners and the international community, such as financial, fiscal, trade and so on as identified in the *Global Jobs Pact* (ILO 2009b).

2 The companion paper on *Growth Employment and Decent Work in the Arab Region: Key Policy Issues* (ILO, 2009e) identifies also the additional priority to reduce the multiple forms of labour market segmentation in the region's labour markets. This area is also acknowledged in this paper (see Chapter 3) but the current emphasis is more on measures that can be undertaken and have also an effect during the crisis.

herence across line ministries for better employment outcomes; (b) economic policy should be set after consultation with the social partners, a process that is still at an embryonic stage in most Arab countries, yet it can create the required social consensus for labour and social protection reforms to be undertaken during the course of the global crisis and beyond; and (c) the Arab economies should pay more attention to statistical and administrative requirements that can improve the design, implementation, monitoring and evaluation, not only of crisis-related policies, but also outcomes during the ordinary course of development.

The suggestions of this paper for addressing the short-term effects of the crisis can pave the way for overcoming the structural challenges the region was facing even before the crisis and contributing to the achievement of the longer-term objectives of the Arab economies.³ For example, unemployment insurance, social pensions and cash transfers can become part of an integrated social protection system that is currently lacking. The ongoing policy debate on reforming labour migration policies in several countries in the region can form the basis of a more comprehensive approach to migration in the future. This rights-based approach should improve the governance of migration by promoting the linkages between migration and development and expanding international cooperation that includes the transferability of pensions and other benefits of migrants between different Arab countries. Expanding the role of the labour ministries and social partners can lead to greater social consensus, better policies and sustainable economic and social outcomes.

The sequencing and specific characteristics of the proposed agenda is of course a matter of national policy. However, greater regional economic cooperation can be of great benefit as exploiting commonalities across countries can be the first step to be taken in the process of the progressive integration of the Arab economies within the new globalized world that will emerge after the crisis. Regional integrated solutions can contribute towards ensuring that the fruits of globalization are more equally shared within the Arab world and contribute to economic and social development in the broadest sense. Governments, workers and employers from the Arab world and beyond have recently reconfirmed and

advanced the foundations of such a process in the ILO Declaration on Social Justice for a Fair Globalization, which was adopted on 10 June 2008.

The ILO Global Jobs Pact can provide a useful framework for developing national and regional initiatives that would address, not only the crisis effect, but would also help the longer-term development agenda of the Arab countries. The Pact is designed to guide policies aimed at stimulating economic recovery, generating jobs and providing a social protection floor to workers and their families. It seeks to support economic recovery and reduce the risk that the crisis spreads further across countries, and ultimately paves the way for a more sustainable, fairer globalization. Such a pact would not only develop short-term crisis response strategies, but also tackle the transmission mechanisms of the crisis, and lay the foundation for more sustainable economies. The Pact is not about how much more governments can spend, but how they spend. It calls on governments and organizations representing workers and employers to work together to collectively tackle the global jobs crisis through policies in line with the ILO's Decent Work Agenda. It urges governments to consider options such as public infrastructure investment, special employment programmes and the broadening of social protection and minimum wages. Particularly in developing countries, such measures can reduce poverty and contribute to economic stability. Donor countries and multilateral agencies are called on to consider providing funding for the implementation of the Pact's recommendations and policy options. The challenge is to translate the measures in the Pact into action at the national level. This would require effective social dialogue and strong labour market institutions that are found only in varying degrees in the Arab region.

³ These suggestions are guided by the ILO Decent Work Agenda and the Global Jobs Pact adopted by the International Labour Conference in June 2009. The Pact was approved in the context of a Summit on the Global Job Crisis convened by the ILO where nine Heads of States and Governments and six vice-presidents, including from the G20 group of countries, participated. Preserving jobs in the context of crisis through social dialogue and social partnerships, implementing employment programmes for the most seriously affected are short-term measures that should be supported by longer-term economic policies and growth strategies that target employment.

Chapter 1: Introduction

1. **The global financial crisis, which started unfolding in September 2008, far from being over, is affecting every region and economy.** While news spotting “green shoots” is reported daily, and signs of recovery⁴ are emerging in major economies and regions (from the Republic of Korea to the US, and more broadly from the East Asia region to some European countries), the adverse effects of the crisis on employment and incomes are expected to continue in the years ahead.⁵ This is because, in addition to the direct impact of the crisis, government responses to it have unavoidably deteriorated the fiscal position of many economies, and recovery may not be as fast or robust in the future as governments try to recover part of their deficit-financed spending through higher taxation or reduced public spending. The historical experience from past crises and recent economic forecasts suggest that it might take, on average, the best part of the next four to five years for most economies to recuperate the level of incomes they had at the onset of the crisis. Reaching the pre-crisis employment levels can take much longer (Table 1) and the biggest risk is a prolonged labour market recession which may last six to eight years. This is because massive increases in long-term unemployment and greater labour market “informalization” – exacerbated by returning migrants and possible migration from urban to rural areas – are very difficult to reverse. If these trends take root, the negative effects of the crisis will be long-
2. **Crises have grave and lasting effects, but also offer opportunities beyond those needed to simply address past failures.** It was during the Long Depression (1873–1897) that Germany introduced the first social insurance system in the world, and during the Great Depression, which started in 1929, the United States did the same. Following the more recent crises of the late 1990s, many East Asian economies saw dramatic transformations, not so much of their productive processes, but in the way the social sectors, even their systems of political governance, were treated during the course of development. The Republic of Korea is such an example whereby unemployment insurance was introduced following its financial crisis in 1997. Similarly, Indonesia expanded its anti-poverty measures and introduced new ones (notably a “back to school” programme that helped to keep children in school and reduce child labour) and underwent a transformation of its political system.
3. **Despite earlier reports on their relative immunity from the contagious effects of the global crisis, Arab economies are unlikely to be spared from slower, and in some cases negative, economic growth, rising unemployment and greater insecurity.** The facts already attest to this. Initial forecasts at the beginning of the crisis estimated that output growth in the Arab economies would be more than 4 per cent in 2009. However, these

**Table 1: Peak to trough effects of financial crises:
Global average based on major events since 1899**

	Effect (Per Cent)			Duration (In Years)		
	AVG	MAX	County, Year	AVG	MAX	County, Year
House prices	-36	-53	Hong Kong, 1997	6.0	17	Japan, 1992
Real equity prices	-56	-90	Iceland, 2007	3.4	5	Spain, 1977
Unemployment increase*	7	23	USA, 1929	4.8	11	Japan, 1992
GDP	-9	-29	USA, 1929	1.9	4	Argentina, 2001
Public debt increase**	86	275	Colombia, 1998	measured over 3 years		

* In percentage points.

** The increase in public debt is measured over the 3 years following the crisis and is mainly due to the collapse of the tax base and ambitious countercyclical fiscal policies, not the costs of bail outs or recapitalization of the banking system.

Source: Reinhart and Rogoff (2009).

4 Recovery is a rather loose term in economics but in general it refers to the time when critical variables (such as output, inflation, unemployment) stop moving in undesirable directions and start moving towards their pre-recession levels. Recuperating the pre-recession levels may take a considerably longer time than reaching the trough of the recession.

5 IMF: *World Economic Outlook: Crisis and Recovery*.(Washington D.C.: International Monetary Fund, 2009)

estimates have now been revised downwards to an estimated 2.5 per cent (see Chapter 4). Some economies, such as Kuwait, Saudi Arabia and the United Arab Emirates (UAE), may even experience negative real GDP growth rates for 2009⁶ as the effects of the global crisis were felt more or less immediately in the GCC economies. The adverse effects of the crisis have started to be felt in all other regional economies with estimates for growth rates being reduced due to the stress on their own banking sectors, stumbling stock prices, reduction in trade, decline in FDI and aid, lower tourist activity and diminishing worker remittances.

4. **International experience suggests that middle income countries (and most of the major Arab economies fall into this category) are particularly hurt by economic crises** and, within these countries, crises tend to impact particularly the job prospects of two specific groups: women and youth.⁷ It may not be an exaggeration to say that for these two groups access to jobs in the Arab world is among the lowest compared to other world regions.⁸ But, the challenge for the Arab economies is not confined only to these two groups. The global crisis hit the Arab economies at a time when unemployment was high and social protection was not mature enough to resist the newly created pressures.
5. **The objective of this paper is to provide a better understanding of the links between the global crisis and employment creation and social protection in the Arab economies, and to identify key policy areas for the attention of governments and social partners.** Arab governments have already come up with various responses to mitigate the adverse effects of the crisis. The GCC have allocated significant fiscal resources to reduce the decline in current economic activity, although some have been forced to abandon ambitious investments envisaged during the pre-crisis economic boom. Less fortunate countries in terms of financial resources or weaker institutions have introduced more limited measures. However, in general terms, these responses may prove to be small compared to the challenges lying ahead, and are more partial than comprehensive as they focus only on a few sectors, at times in a non-transparent manner, and have been introduced effectively without the engagement of the

private sector and more broadly the social partners. Importantly, some measures can be seen as ad hoc short-term responses that may compromise long-term objectives by being poorly targeted, fiscally excessive and unsustainable.

6. **The paper is unavoidably eclectic and selective. It is eclectic as it focuses on employment and social protection issues, while meeting the challenges created by the global crisis requires nothing less than comprehensive approaches across the economic and social spheres.** The breadth and depth of such reforms covering the financial, macro, trade and employment sectors at the national level, and governance and cooperation at the regional and international levels, as well as the role of FDI and donor aid have been extensively discussed and amply documented in numerous forums and publications of international agencies, regional organizations and committees (UN, ILO, IMF, World Bank and other regional development banks, G20 and so on). These need not be expanded in the limited space of this paper. For current purposes, suffice to say that the current rescue packages differ from those prescribed for the Asian crisis in 1997 and now include calls for increased public spending on infrastructure, environment, public health, education and employment measures, as well as for less saving and higher consumption by households. The need for new development paradigms, fair globalization and comprehensive approaches addressing global and national imbalances through new patterns of sustainable growth is increasingly recognized (ILO Global Jobs Pact, 2009).
7. **The paper is selective in two respects. First, the available statistical information for the Arab economies as a whole is incomplete and at times contradictory even at the national level.** Regional estimates are based on whatever individual country information is available that in itself may not be comparable to other countries (See Text Box 1). This can invalidate regional comparisons at a point in time or with respect to trends over time. In addition, the Arab region can be divided into different subgroups that differ from case to case. For example, the reported statistics for the Arab economies are grouped differently by the ILO, the Economic and Social Commission for Western Asia (ESCWA), the League of Arab States (LAS), the International Monetary Fund (IMF), the World Bank and so on.⁹ So, the regional indicators and

6 IMF: *World Economic Outlook: Crisis and Recovery*. (Washington D.C.: International Monetary Fund, 2009).

7 Foxley, A.: *Recovery: The Global Financial Crisis and Middle-Income Countries*. (Carnegie Endowment for International Peace, 2009).

8 The youth unemployment rate is higher and the youth and women's employment rates are lower in the Middle East and North Africa than any other region of the world. ILO: *Global Employment Trends for Women* (2009).

9 See Annex 1 on the regional classification of the Arab countries.

Box 1: The statistical deficit in the Arab region

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

One understandable reason, though it can be corrected, is that many Arab countries have significant informal employment that is difficult to enumerate and assess. Only a few countries have incorporated informal employment modules in their labour force and establishment surveys (e.g. Egypt). Others have conducted informal economy surveys sporadically (e.g. Palestinian Authority) or only recently (e.g. Jordan) or are in the process of designing informal economy surveys (e.g. Yemen). Though some estimates exist based on existing labour force and establishment surveys (e.g. Morocco, Tunisia, and Algeria) relatively little is known about the informal sectors in the Arab region. However, the experience of financial crises in other regions and countries amply demonstrates that an important component of labour market adjustment is employment in the informal sector. Unless the structure and flows in and out of the informal sector are known, policy-makers may miss a large part of the changes in the labour market. In fact, the official measurement of unemployment may be meaningless when informal activities, under-employment or inactivity reach sizeable proportions.

Another reason is the limited usefulness of available data due to deficiencies in survey design – including ill-structured questionnaires, collection methods and presentation of data, as well as changes in the methodology over time that make trend analysis difficult.

The absence of good statistics on salaries and wages constitutes a third statistical shortcoming and perhaps one of the most important. There is very little regional information on the level of wages and the composition of labour earnings, let alone their changes over time.

There are also other statistical areas that need additional attention. One such area is comparable “follow-up” surveys as it is important to establish baselines for tracing changes over time. These surveys can be cross-sectional with retrospective questions or, ideally, panel/longitudinal. The region has a definite vacuum in the case of the latter type of surveys.

Another area relates not just to the measurement of unemployment but in quantifying all kinds of flows in the labour market, that is, not just between “with work” and “without work” but also between different types and sectors of work. In this case, surveys that capture both the demand and supply side of the labour market are needed, for example, through establishment surveys and labour surveys. Matching this information can help assess not only the rates of job creation and job destruction but also how workers with different skills and education redeploy themselves in the labour market (including activities in the informal economy). This kind of information can provide a better measurement and understanding of the true vulnerabilities in the labour market.

topics covered in this paper were at times decided on the basis of the available information and may not be representative of all Arab economies.

broad-brush generalizations with respect to the analytical diagnostics and policy prescriptions for the region.

8. **Second, even if comparisons were statistically reliable, any attempt to treat the Arab economies as a coherent lot in terms of either common characteristics, the impact of the crisis or common desirable policies is bound to include very heterogeneous countries.** The regional countries range from the Heavily Indebted Poor Countries (HIPC) of Comoros, Mauritania, Somalia and Sudan, the low-income countries of Djibouti and Yemen to the GCC high-income countries, from the Maghreb to the Mashreq and the Sub-Saharan countries, and from those countries that have already started, or are in a position to reform, to the unfortunate ones that are saddled by continuing and devastating conflicts. In short, the variation “within” the Arab economies is probably much greater than “between” the Arab world and the rest of the world. This places limitations on coming up with
9. **Moreover, the regional economies are being, and can continue to be affected, differently, even by the same events and policies.** An example of this would be an increase in the price of crude oil that would certainly benefit the oil exporting economies, but not those importing it. Moreover, an increase in the price of oil can delay the global recovery and provide a secondary mechanism for prolonging the effects of the crisis. Alternatively, policies pursued by one Arab country can have spill-over effects on other Arab countries. An example of such a policy is the restriction of immigration into the labour-receiving GCC economies in an attempt to decrease unemployment among their nationals. This can decrease the employment prospects of nationals in the Arab labour-sending countries. These issues are beyond the scope of this paper, and their omission constitutes a third limitation of this paper.

10. **Rather than focusing on what went wrong in the past, the paper tries to look forward by examining what can go right in the future and what policy areas are more promising for the Arab economies during the crisis, and beyond.** One main message of this paper is that the crisis can become an opportunity for increasing productivity and wages, employment and job security. The guiding principles for future action are taken to be the creation of sustainable enterprises and productive employment while offering adequate and affordable social protection.

11. **The paper is structured as follows.** The next chapter provides a short historical overview of global crises and is followed by an assessment of the pre-crisis economic, labour and social conditions in the Arab economies (Chapter 3). It then summarizes the impact of the current crisis on the Arab economies (Chapter 4) and of policy responses to the crisis so far (Chapter 5). By using the discussion in the previous chapters on the international experience, current status and policy responses, Chapter 6 attempts to identify the strengths of the Arab region upon which policies could be built and, taking the objective to be starting or developing further policies for protecting people and promoting jobs, as agreed through social dialogue, it concludes by making some policy suggestions applicable, more or less, to most Arab countries or to some identifiable subgroups (e.g. the GCC).

Chapter 2: The Global Crisis

12. **Financial crises can have different causes and the current one combines most of them.** They strike when, for example, financial assets lose a large part of their value because of: a banking panic (depositors try to withdraw all their funds at the same time); a speculative bubble (the price of assets exceeds the present value of their future incomes); a stock market crash; a currency crisis; a default on sovereign debt and so on. These can be associated with: asset-liability mismatches (many short-term liabilities such as deposits, against long-term assets such as loans); leveraging (borrowing money to invest rather than investing your own funds); herd behaviour (when investors mimic other investors); regulatory failures (leading to non-transparency, high risk-taking behaviour and so on); contagion (the spread from one institution to another) and fraud and interdependencies in the financial markets. Crises can also be the result of recessions after technical and financial innovations that offer abnormally high new opportunities for investments (and speculation) in the short-run that lead to unsustainable economic booms. Irrespective of the mixture of causes that gave rise to other crises, the current one combines most of the above: high risk-taking behaviour in the form of subprime mortgages and predatory lending, deregulation, over-leveraging, herding, the collapse of the banking system, commodity bubbles (from oil to real estate), financial innovation and complexity.¹⁰
13. **One additional characteristic of this current crisis is the separation of the locations of production decisions and workers.** The former relates directly to the unavoidable mechanics of globalization, that is, the internationalization of production in recent years. In terms of economic growth, the recent era of globalization can be compared to the “glorious” three decades after the Second World War when most economies prospered. The contrast between these two periods can be found in the underlying causes of economic growth and the different outcomes for workers. During the post-war period, economic growth was driven mainly by *domestic production* benefiting domestic workers while governments pursued policies for supporting businesses and workers’ rights to share in the benefits the economy generated. Real wages increased and social security improved. In the second period,
- the interests of business and workers diverged. Workers remained national (except in the case of migration), but production became globalized. The domestic pact between governments, businesses and workers broke down as did the effectiveness of social dialogue. Workers remained confined within national boundaries and became subject to the volatility of *external demand* to the extent that their countries could benefit from trade. Profits started rising but wages, broadly considered to include all the rewards from labour, stayed effectively stagnant or even declined for most workers in most countries (other than in a few emerging economies).¹¹
14. **The decline of social dialogue and the unjustified emphasis on individual choices when the future is so unpredictable led to a switch of policies away from social considerations.** Since the 1980s many countries adopted policies that reduced taxes (most of which benefited those with high incomes) and public social spending, including education, health, housing, water, pensions and broader social security. Specifically in the case of housing, by offering mortgages that had a high risk of default (one of the causes of the crisis), house ownership increased, corporate profits boomed, especially in the construction sector and the financial markets, resulting in (short term) economic growth. The pressure for governments to be involved in social housing and other social areas decreased, thus providing relief to sovereign (public) debt. At face value, globalization and the dominance of free markets seemed to offer a win-win situation for economic growth and poverty reduction that found supporters among certain politicians, as well as professional economists.¹²
15. **The international experience of past crises not only quantifies their effects, but also provides lessons for protecting people and promoting jobs.** The ILO communication to the G20 meeting in Pittsburgh in September 2009 summarizes the global responses to the crisis so far, in view of the acquired experiences from previous crises.¹³ The three country cases described below (Germany, United States and the Republic of Korea) expand on this communication by providing some additional details.

¹⁰ For a more comprehensive coverage of the causes and current status of the crisis see ILO: *The Financial and Economic Crisis: A Decent Work Response*. (Geneva, 2009a).

¹¹ See ILO: *World of Work Report 2008: Income inequalities in the age of financial globalization*. (Geneva, 2008a).

¹² See Krugman, P.: *How did economists get it so wrong?* New York Times, September 2, 2009.

¹³ See ILO: *Protecting people, promoting jobs: From crisis response to recovery and sustainable growth. Communication to G20 Leaders by ILO Director-General, Pittsburgh Summit, 24–25 September, 2009* (2009c).

The Long Depression (1873-1896) and the genesis of social security

16. **The emerging paradigm is not new as the experience from the two previous global crises, which are most relevant to the current one, indicate: The Long Depression (1873-1896) and the Great Depression that started in 1929.** The Long Depression affected both Europe and the United States and started with the collapse of the Vienna Stock Exchange in 1873 and the bankruptcy of a Philadelphia banking firm the same year. As in the current crisis, that of 1873 came at the end of new investment opportunities created previously by the Second Industrial Revolution¹⁴ and the railway boom in Britain and the United States. It was rooted in the monetary policy of the time (the United States return to the gold standard that reduced the funds available to facilitate trade by the requirement to take money out of circulation to achieve this goal), falling prices of silver and assets, speculative financing and wars (in continental Europe). The United Kingdom, the leading world economy at the time, is often considered to have been the hardest hit by the Long Depression and, in fact, historians put the beginning of the end of the British Empire in the final quarter of the nineteenth century. During this period Britain started losing its industrial lead over the rising economies of continental Europe, including Germany. It was during this period, in 1889, when the first national social security system in the world was introduced in Germany and the thinking underlying this is well summarized in the following citation:

Germany became the first nation in the world to adopt an old-age social insurance program in 1889, designed by Germany's Chancellor, Otto von Bismarck. The idea was first put forward, at Bismarck's behest, in 1881 by Germany's Emperor, William the First, in a ground-breaking letter to the German Parliament. William wrote: "... those who are disabled from work by age and invalidity have a well-grounded claim to care from the state."

Bismarck was motivated to introduce social insurance in Germany both in order to promote the well-being of workers in order to keep the German economy operating at maximum efficiency, and to stave-off calls for more radical socialist alternatives. Despite his impeccable right-wing credentials, Bismarck would be called a socialist for introducing these programs ... In his own speech to the Reichstag in 1881, Bismarck would reply: "Call it socialism or whatever you like. It is the same to me."

The German system provided contributory retirement benefits and disability benefits as well. Participation was mandatory and contributions were taken from the employee, the employer and the government. Coupled with the workers' compensation program established in 1884 and the "sickness" insurance enacted the year before, this gave the Germans a comprehensive system of

14 The Second Industrial Revolution (also known as the Technical Revolution) saw the introduction of breathtaking innovations such as steam-driven steel ships, the internal combustion engine, mass production of consumer goods, better food preservation through canning, electrification and refrigeration, the invention of the telephone and so on, as well as parallel developments in the chemical, electrical, petroleum, and steel industries.

income security based on social insurance principles. (They would add unemployment insurance in 1927, making their system complete.).¹⁵

The Crash of 1929, the Great Depression and the New Deal

17. **The Great Depression was another worldwide economic downturn that started in the United States by a sudden and total collapse of the stock market in October 1929.** Its causes have been debated, but many are similar to those already mentioned: policies of central banks in determining money supply leading to overinvestment (bubble); the adherence of many countries to the Gold Standard and Britain's decision to return to it; successive bank failures and more conservative lending practices of surviving banks; miscalculations or speculation by bankers and industrialists, as well as regulatory incompetence by government officials that led to a global overinvestment in industrial capacity (leading to mass production) compared to wages and earnings (that prevented mass consumption); the tendency of economies to create unbalanced accumulations of wealth resulting in an increase in inequality. Following the enactment of the protectionist Smoot-Hawley Tariff Act in 1930 by President Herbert Hoover (1929–1933) that raised US tariffs against which the international community not only retaliated but developed new trade partners (as in the case of Britain and France) or moved towards autarky (Germany), world trade declined significantly while American exports fell by two thirds: from about \$5 billion in 1929 to \$1.7 billion in 1933. In the absence of social measures, also in 1933 unemployment peaked at 25 per cent when the next United States President, Franklin Roosevelt, was inaugurated.
18. **By 1933 the time was ripe for sweeping reforms.** Under Roosevelt a series of acts were introduced to regulate the financial and banking industry, provide federal insurance for bank deposits and create the Securities and Exchange Commission (SEC). In the real sector, competition policies were introduced through the National Recovery Administration (NRA) while support was extended to all major groups, from banking and railroads to industry and farming. The price of facing the crisis was the increase in public debt that doubled (from

15 See the official web site of the US Social Security Administration: <http://www.ssa.gov/history/ottob.html> that adds with respect to its citations "This is an archival or historical document and may not reflect current policies or procedures".

20 to 40 per cent of GDP) and, like Bismarck, Roosevelt was charged with turning America into a socialist state.¹⁶

19. **Like Germany, during the previous depression, a series of ground-breaking initiatives for employment creation and social protection were introduced in the US after 1929.** The Wagner Act 1935 promoted labour unions. The Works Progress Administration (WPA: also established in 1935) set up work relief programmes, the Social Security Act 1933 introduced social protection and the Fair Labor Standards Act 1938 prescribed maximum hours and minimum wages for many categories of workers. Other new programmes aided tenant farmers and migrant workers. The following quotation¹⁷ summarizes Roosevelt's strikingly different approach from his predecessor to the Great Depression:

FRANKLIN D. ROOSEVELT was elected President in November 1932, to the first of four terms. By March there were 13,000,000 unemployed, and almost every bank was closed. In his first "hundred days," he proposed, and Congress enacted, a sweeping program to bring recovery to business and agriculture, relief to the unemployed and to those in danger of losing farms and homes, and reform ... By 1935 the Nation had achieved some measure of recovery, but businessmen and bankers were turning more and more against Roosevelt's New Deal program. They feared his experiments, were appalled because he had taken the Nation off the gold standard and allowed deficits in the budget, and disliked the concessions to labour. Roosevelt responded with a new program of reform: Social Security, heavier taxes on the wealthy, new controls over banks and public utilities, and an enormous work relief program for the unemployed. In 1936 he was re-elected by a top-heavy margin.

The 1997 Asian Crisis and the Republic of Korea's comprehensive response

20. **Though the Republic of Korea was badly affected by the Asian Crisis, started in 1997, with the right mix of financial, fiscal and social policies, it recovered quickly while unemployment was contained and poverty reduced.** It successfully managed to decrease its unemployment rate from 7 per cent at its peak in 1998 to 3.3 per cent by 2002. It was also able to reduce the poverty rate to 5 per cent from its peak of 20 per cent during the crisis and even from its pre-crisis level of 10 per cent. They also managed to bring their budget balance quickly into surplus after the crisis.
21. **While the ability of countries to contain fiscal deficits differs from government to government (the history of the country, that is, what the debt was when the crisis began and for what reason), countries have more discretion on how they address problems in their social sectors.** Success is attributed to job- and social-friendly policies, support to small and medium enterprises (SMEs), expansion of employment programmes, expansion of social protection including unemployment insurance, and improved social dialogue.¹⁸
22. The Republic of **Korea prioritized SMEs as the engine of growth.** The government increased credit availability for SME investment in technology and competitiveness, encouraged banks to restructure loans away from their previous preferential treatment of larger companies (the conglomerates: "chaebol").
23. **It also successfully implemented workfare programmes.** These programmes provided work for roughly 70 per cent of the country's 1.7 million unemployed. Measures for training and improvements in employment services were built into the recovery plans. Training programmes increased funding from insignificant levels in 1997 to 3.3 per cent in 1999 and reached about one-quarter of all unemployed. It improved the programmes' efficiency and relevance, and strengthened and streamlined its job-matching services. Evaluations show that these programmes enhanced employability while effectively supporting low-income households.
24. **It was during the crisis that the Republic of Korea expanded unemployment insurance.** Previously, the unemployment insurance system covered only larger companies (with more than 30 employees). The new scheme included all workplaces and all workers, from regular to temporary, and from part-time to casual. Funding for unemployment insurance rose to 1.5 per cent of GDP in 1999 and was subsequently reduced to 0.3 per cent of GDP after 2000.
25. **In addition, the Republic of Korea provided social assistance through special loan projects, guaranteed severance payments and offered temporary livelihood protection to those unable to work.** Temporary livelihood protection alone covered 2.5 per cent of the population at the height of the crisis in 1998.
26. **At the same time, the government took several measures to improve social dialogue.** In late 1997, it created a Tripartite Commission composed of labour, business, government and public interest

16 See Schlesinger Jr., A.: *The Coming of the New Deal* (2003).

17 See <http://www.whitehouse.gov/about/presidents/franklindroosevelt/>

18 See Prasad, N. and M. Gerecke: *Employment-oriented crisis responses: Lessons from Argentina and the Republic of Korea*. (International Institute for Labour Studies, June 2009).

groups that helped the country quickly reach a consensus on many key issues, such as corporate restructuring, price stability, expanding social and employment-oriented programmes, enhancing labour rights and workplace cooperation and promoting labour market reforms. The rival trade union, the Korean Confederation of Trade Unions (KCTU), was also legalized.

27. **The policies of the Republic of Korea outlined above, such as unemployment benefits, public works, assistance to SMEs and social dialogue, constitute the core proposals for the ILO's Global Jobs Pact to respond to the current global crisis.** Importantly, the approach adopted by the Republic of Korea was cost effective. Though the policies entailed higher government spending in the short-term, the situation was quickly reversed. Soon after the crisis, the budget was in surplus – reflecting both higher revenues resulting from higher economic growth (partly a result of the decent work friendly measures) and lower spending as pressures on social budgets fell simultaneously with unemployment.

The need for a new paradigm and new policies

28. **What emerges from the international experience, and various ILO reports and studies on past crises, is that policy-makers should act quickly and decisively to contain crises, use aggressive fiscal stimuli, and combine economic, financial and social policies into one single comprehensive policy package.**¹⁹ During the Great Depression, the ILO argued for a coordinated international public works programme to increase domestic demand. To this effect, in 1932 the organization adopted a resolution to overcome the economic crisis based on public works, monetary stability and international trade. Unfortunately, the calls made by the ILO were not acknowledged by world leaders when they met in London in 1933 to address the economic crisis.²⁰ The present crisis seems to be different as there is a much greater international consensus that the current situation calls for policies to restore the normal flow of credit, fiscal measures to generate jobs, greater social protection including the creation of a social protection floor, and multilateral and international cooperation.

19 Torres R.: *The Financial and economic crisis: A Decent Work response*. (Geneva, International Labour Organization (2009).

20 Rodgers, G. et al. 2009 "The International Labour Organization and the Quest for Social Justice" (ILO, Geneva).

29. **The international experience with crises provides both negative and positive lessons.** One negative lesson is that protectionism should be avoided. However, despite the high profile pledges made at the G20 summit in London in November 2008 and more recently in Pittsburgh in September 2009,²¹ some governments have pushed up trade barriers in an attempt to shield domestic industries from the effects of the crisis: in the second quarter of 2009 the WTO recorded 83 trade-restricting measures undertaken by 24 countries and the EU. The number of these protectionist measures is more than double the number of trade-liberalizing measures enacted during the same period.²²
30. **On the positive side, the previous crises indicate that social consensus towards more balanced public-private approaches can increase, that is, crises create opportunities for more comprehensive economic and social policies.** It was during the Long Depression and then again during the Great Depression that, respectively, Germany and the United States introduced social insurance, the latter going further by enacting a series of labour and trade union laws. Going beyond the experiences of the financial crises covered in this paper, the human loss associated with the Second World War led to the creation of many welfare states in Europe. More recently, most of the formerly planned economies in Central and Eastern Europe introduced unemployment insurance after their transition started, as did the Republic of Korea after its own financial crisis. All in all, the distributional aspects of crises are significant and social dialogue can increase the consensus required for the adoption of policies that, though they involve adjustment costs, of policies they create large social benefits.

21 "The threat of protectionist measures remains and should be actively deterred whilst safeguarding the special situation of developing countries. Where protectionist measures arise from understandable feelings of insecurity in a crisis context, effective answers are needed by means of social and labour policy" (para 35). See ILO: *Protecting people, promoting jobs: From crisis response to recovery and sustainable growth. Communication to G20 Leaders by ILO Director-General, Pittsburgh Summit, 24–25 September, 2009* (2009c).

22 This does not amount to saying that developing countries should completely open their markets to foreign competition or that export-led models should neglect the role of domestic demand. See WTO: *Report WT/TRP/OV/W/2* (July 2009). See also Chang, H. J.: *Bad Samaritans: The Guilty Secrets of Rich Nations and the Threat to Global Prosperity* (Random House Business Books, 2008).

31. **The current crisis, like many previous ones, revealed that banks at both national and global levels, instead of serving the real economy and acting as a shock absorber to the financial system, can become an amplifier of risk between, on one hand, the financial sector and investors and, on the other hand, the real economy, producers and consumers.** A critical area of policy focus is, therefore, to prevent the financial sector from bringing production to a halt through credit spasms, and from increasing inequality by handing out to only a few an increasing portion of the global wealth generated by globalization.²³ If this is not addressed, then “privatizing gains and socializing losses” is bound to be repeated, thus curtailing the ability of governments to use public spending for social services. It is in this spirit that the Global Jobs Pact calls for the construction of a “stronger, more globally consistent supervisory and regulatory framework for the financial sector, so that it serves the real economy, promotes sustainable enterprises and decent work and better protects the savings and pensions of people”.

²³ See ILO: *World of Work Report 2008: Income Inequalities in the Age of Financial Globalization*. (Geneva, 2008a).

Chapter 3: The pre-crisis conditions in the Arab world

32. This chapter provides a brief overview of the conditions prevailing in the Arab region at the beginning of the crisis.²⁴ It argues that, despite the many differences existing between the Arab economies, the region enjoyed an economic revival in the last decade that had a positive impact on employment while reducing unemployment, vulnerability and poverty. However, structural problems remain, including weak workers' representation and more general social protection and inadequate social assistance schemes. Therefore, in addressing the effects of the current crisis, governments will also have to take into account pre-crisis challenges. This requires governments to recognize these weaknesses and identify strengths. According to the discussion in this chapter, common strengths at regional level include the increasingly educated Arab youth, the rising female labour force participation and the willingness and ability of workers to migrate.

There are significant differences among the Arab economies

33. **The impact of the global crisis on different Arab countries will depend, not only on the chosen policies, but also on the different economic and institutional characteristics of individual economies and their different stages of development.** Some countries have significant oil and gas reserves, others, such as Syria and Yemen have almost exhausted known reserves, while others have none at all. Some have water resources (Egypt, Iraq, and Lebanon), while others have very little water (the GCC countries, Jordan, and Yemen). In some countries, such as Yemen, Egypt, and Morocco, agriculture is an important part of the economy, while in others (Jordan and Lebanon), the service sector accounts for more than 50 per cent of GDP. Industry, including the energy sector, accounts for most of the GDP in the GCC countries, and manufacturing is a significant driver of the economy in Syria, Jordan, and Egypt. The region's countries differ widely in terms of population size as well – from fewer than 1 million in Bahrain, Comoros, Djibouti and Qatar (including the large populations of foreigners in some cases) to more than 25

million in Algeria, Iraq, Morocco and Saudi Arabia and nearly 75 million in Egypt. Per capita incomes range from nearly US\$2 per day in Yemen to more than \$80,000 per year in Qatar.

34. **The Arab economies are also at different stages of demographic as well as socio-political transition.** The former can be shown by the significant differences in their fertility rates, generally associated with a significant decline in early marriage among women. There has been a corresponding reduction in population growth. The share of young people in the population is slowly decreasing in many countries in the region, and the growth in the working-age population (people aged 15 to 64 years old) has also slowed down. For example, the share of the youth population varies from 30 per cent in the GCC countries to 21 per cent in the Maghreb and 11 per cent in the Mashreq. Population growth rates range from 1 per cent yearly in Lebanon and Tunisia to around 3 per cent in Jordan, the oPt, and Yemen. In labour-receiving countries, such as Qatar and the UAE, the population was growing at a rate of 6 per cent per annum before the crisis. The Arab countries are also at different stages of economic and governance reforms, including the level and sophistication of social dialogue, while many are in a fragile political state or are experiencing conflict.

35. **Therefore, it is clear that there is no single representative "Arab" economy and generalized conclusions at regional level must be treated with caution.** Additional challenges arise from different statistical practices and concepts used by the different countries in the region. Moreover, the statistical information and analysis of certain regional subgroups used below differ from case to case with respect to the composition of countries they include. This heterogeneity arises from different definitions of these subgroups²⁵ or simply lack of data for all countries falling under each subgroup. In some cases regional and sub-regional estimates are based on only a fraction of the countries they refer to and this fraction may be even less than half of the total number of countries falling into that category.

²⁴ The data presented in this chapter come from various sources and are subject to the statistical qualifications mentioned earlier in this paper. Most data are derived from the statistical appendix at the end of the paper as well as publications and statistical collections from the ILO, ALO, World Bank, IMF and so on. Details available from the author part.

²⁵ See Annex 1 on the regional classification of the Arab countries.

Most Arab economies were growing before the crisis

36. **After disappointing regional economic growth in the 1980s and 1990s, even among the oil-based economies, most Arab economies were in an upward trend when the crisis started.** Many Arab countries experienced high economic growth in the 1960s and 1970s, but performed poorly thereafter. Per capita incomes in most Arab countries peaked sometime in the early 1980s and then stagnated or even declined. In fact, the oil economies did not fare any better than the others – a phenomenon that gave rise to the term “the oil curse”. Overall, between 1980 and 1993, the Middle East and North Africa Region (MENA) experienced an average decline in per capita GDP of 2.4 per cent compared with worldwide positive growth that averaged 1.2 per cent. Meanwhile, though no hard figures are available, informal employment increased in the major urban areas of most countries and, in some cases like Algeria, home-based work constituted the major share of new employment creation.²⁶

37. **While the 1980s and 1990s were characterized as lost decades, many regional economies experienced an increase in their economic growth rates from around 2000.** The region’s growth rate in 2006 was the highest since the 1970s: real GDP increased by an average of 6.3 per cent in 2006, up from an average of 4.6 per cent during the first four years of the decade and from only 1.7 per cent during the second half of the 1990s. On a per capita basis, the region grew at an average rate of 4.2 per cent in 2006, the highest level recorded in the last two decades.²⁷

38. **The economic growth of the last decade led to commensurate job creation and a decrease in unemployment.** More specifically, the pre-crisis developments in the labour market and changes in vulnerability and poverty can be summarized as follows:²⁸

- **Output growth was associated with high rates of**

26 Charmes, J. (forthcoming): “Statistics on Informal Employment in the Arab Region”. Chapter 3 in ILO: *Gender, employment, and the informal economy in Arab States: A regional overview* (Beirut, ILO Regional Office for Arab States).

27 For a detailed treatment of the economic and labour market developments in the Arab region in the last decade, from which part of the present discussion draws, see ILO: *Growth, Employment and Decent Work in the Arab Region: An Overview*. Paper presented at the Arab Forum on Development and Employment. Doha, Qatar 15 – 16 November (2008b).

28 Tzannatos, Z. *The Policy Environment for Job Creation in the Arab Economies* (2008) and World Bank: *Economic Developments and Prospects: Job Creation in an Era of High Growth* (Washington DC, 2007a) from which part of the discussion in this chapter draws.

employment creation. Since 2000, employment in the region has been increasing by around 4.5 per cent per annum, while regional GDP has been increasing by 5.1 per cent. This implies an employment output elasticity of around 0.9, which is high by any standard.²⁹

- **The employment to population ratio increased faster compared to all other regions.** This ratio increased by nearly 4 per cent in the Middle East and 5 per cent in North Africa during the period 1998-2008 (Table 2). Overall, the annual rate of job growth (at around 3.3 per cent) was greater than the annual rate of growth of the labour force (at just around 3.1 per cent).

- **Unemployment was reduced.** The unemployment rate was reduced by 4.3 per cent and 21.9 per cent in the Middle East and North Africa between 1998 and 2008, respectively. The world unemployment rate decreased by 6.3 per cent during the same period. Among the Arab countries for which data are available for the decade preceding the crisis, unemployment increased in the oPt and, to a lesser extent, among nationals in some GCC countries.

- **Most of the recent employment gains originated in the private sector.** This is rather remarkable given the historical tendency in the region for the public sector at times to expand as an employer of last resort. In some countries, like Morocco, the public sector’s contribution to employment growth was even negative.

- **Much of the labour absorption took place in the service sector.** Services now account for half of total employment in the region and, if non-tradables (such as construction) are included, more than half of all of the region’s civilian workers are employed outside agriculture and industry.

- **The employment growth in the service sector was associated with increases in the female labour force participation rates.** While male labour force participation rates have been stagnant over time, female rates have grown significantly and accelerated over time: the female labour force participation rate increased annually by 2.1 per cent between 2000 and 2005 compared with only 1.4 per cent between 1990 and 2000.

- **The increase in female labour force participa-**

29 These recent trends have not been experienced equally by all Arab economies. Job creation has been extremely high in most of the Gulf countries but low in the oPt, Morocco, and Tunisia. Though job creation was high in Jordan, it barely made a dent in the unemployment rate of nationals: the economy created as many as 60–70,000 jobs in 2008 (up from 30–40,000 additional jobs per year from 2000 to 2005), but unemployment among nationals was reduced from 14.5 per cent to only 12.1 per cent by the end of 2008 as many new jobs were taken up by expatriate workers.

tion was in turn associated with significant increases in female education. The gender gap for all levels of education has narrowed significantly in the region over time. In some cases female enrolment in education, especially at university level, is higher than male enrolment. In fact, the region's overall (male and female) educational attainment has been increasing faster than in other regions.

- **The share of workers in vulnerable employment decreased, indeed, much faster than in other regions.** The share of working poor in total employment³⁰ also declined though not as fast as for those in vulnerable employment in the region, or the ratio of the working poor in other regions.³¹ The North African economies seem to have done better in this respect compared to the Middle East (that includes the GCC).

39. **Increased migration played a useful role during this period, both in terms of reducing unemployment and increasing remittances.** In recent years, the magnitude of migrant worker flows to and from the Arab States has grown considerably. The migration out of the labour abundant countries in the region has relieved pressure on the labour markets, and remittances have played a significant role as valuable contributions to household welfare and national income. In the early 2000s, foreign labour in OECD and GCC countries accounted for around 7 per cent of the national labour forces of Morocco, Tunisia and Egypt, while among the Lebanese probably up to half of each generation may migrate at some point in their lives. And, while the inflow of remittances to the Arab economies averaged US\$13 billion between 1996 and 2000, they averaged US\$22 billion between 2001 and 2007 (Appendix Table B4).

So, what explains the recent revival of the Arab economies?

40. **The positive effect of rising oil revenues and the accumulation of surpluses in oil-exporting economies cannot be overrated.** However, oil revenues

alone are not enough to create or attract new investment. This requires a conducive investment climate and business environment for creating sustainable enterprises, both of which have tended to be absent in the region in recent years. However, the employment revival in the last decade can be associated with some encouraging developments in the areas of macro and industrial policy, as discussed below.

41. **There are many explanations for the pre-crisis regional economic revival – some of which apply to, more or less, all Arab countries while others are relevant for some, but not for others.** One such was mentioned above, that is, *higher oil prices*, which greatly assisted the oil-exporting economies, and at the same time had a beneficial effect upon the other economies through migration, workers' remittances, the transport and delivery of oil and oil-related goods and services, intra-regional public and private expenditure, and cross-border investment. Other explanations include:

- *The reconsideration of the role of the government*, including a containment of its role as an employer of last resort. For example, employment growth in the public sector has been minimal in some countries (or even negative, as in Morocco) while in others its rate of expansion in the current decade has been less than half of its growth rate in the 1990s.
- *The rising role of the private sector* through reforms such as those in Jordan, Egypt, Morocco and Tunisia. These and other countries introduced bankruptcy laws and new regulations covering capital markets, intellectual property rights, competition, consumer protection, insurance, dispute resolution, and the process involved in starting a business, with the result that the growth in private sector employment since 2000 accounted for nearly all of the employment created in Egypt, Morocco and Algeria and for nearly half of the employment created in Jordan.
- *An increase in the share of investment as a proportion of GDP*, including gross domestic investment whose contribution to GDP growth reached 4.1 percentage points in 2006, more than double its impact in the early 2000s (only 1.3 percentage points).

30 The working poor is defined as the proportion of employed persons living in a household whose members are estimated to be below the international poverty line.

31 The vulnerable employment rate is calculated as the sum of own-account workers and contributing family workers as a percentage of total employment. The indicator is not without its limitations; some wage and salaried workers might also carry high economic risk and some own-account workers might be well-off and not vulnerable at all. But, despite the limitations, vulnerable employment shares are indicative of employment in the informal economy. For more details on the indicator and its interpretation in tandem with other measures, see ILO: *Key Indicators of the Labour Markets 5th edition Chapter 1*. (Geneva, 2007).

Table 2: Key labour market indicators and their % change, 1998-2008

Unemployment rate (%)	1998	2008	Change (%)
World	6.3	5.9	-6.3
Developed Economies and EU	7.1	6.1	-14.1
Central & South Eastern Europe (non-EU) & CIS	12.2	9.0	-26.1
East Asia	4.7	4.3	-8.5
South-East Asia & the Pacific	4.8	5.5	14.6
South Asia	4.1	4.9	19.5
Latin America & the Caribbean	8.4	7.2	-14.3
Sub-Saharan Africa	7.7	7.6	-1.3
Middle East	9.4	9.0	-4.3
North Africa	12.8	10.0	-21.9
Adult Employment to Population ratio	1998	2008	Change (%)
World	60.8	60.3	-0.9
Developed Economies and EU	54.5	54.2	-0.6
Central & South Eastern Europe (non-EU) & CIS	52.0	53.0	2.0
East Asia	73.0	70.0	-4.2
South-East Asia & the Pacific	65.9	65.5	-0.6
South Asia	57.5	56.5	-1.8
Latin America & the Caribbean	57.2	60.5	5.8
Sub-Saharan Africa	65.0	65.4	0.6
Middle East	45.1	46.8	3.8
North Africa	43.4	45.6	5.0
Vulnerable Employment	1998	2008	Change (%)
World	53.1	49.4	-7.0
Developed Economies and EU	11.2	10.1	-9.8
Central & South Eastern Europe (non-EU) & CIS	20.9	19.1	-8.6
East Asia	61.6	53.4	-13.3
South-East Asia & the Pacific	63.5	61.1	-3.8
South Asia	80.3	77.1	-4.0
Latin America & the Caribbean	34.0	31.2	-8.2
Sub-Saharan Africa	79.8	72.9	-8.6
Middle East	44.9	32.8	-26.9
North Africa	45.5	36.8	-19.1
Share of working poor in total employment (\$2/day)	1997	2007	Change (%)
World	54.2	40.9	-24.5
Developed Economies and EU	..	..	..
Central & South Eastern Europe (non-EU) & CIS	21.5	13.0	-39.5
East Asia	69.2	33.3	-51.9
South-East Asia & the Pacific	63.4	52.7	-16.9
South Asia	86.0	80.2	-6.7
Latin America & the Caribbean	27.8	15.4	-44.6
Sub-Saharan Africa	85.4	81.9	-4.1
Middle East	25.8	21.8	-15.5
North Africa	42.0	30.7	-26.9

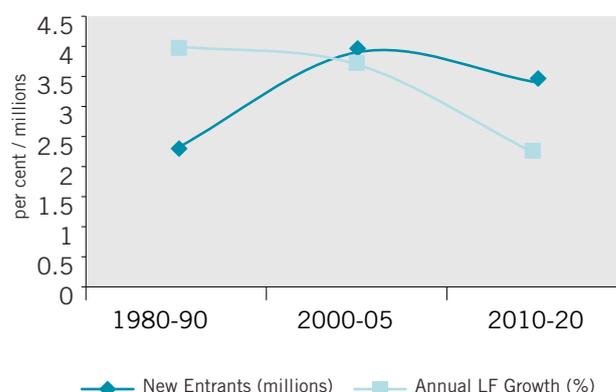
Note: For a classification of the Middle Eastern, North African and Arab countries, see Annex 1

Source: ILO, Trends Econometric Models May, September 2009 and Global Employment Trends for Women, Geneva, 2009.

- *Foreign Direct Investment* that reached a record of nearly US\$25 billion in 2006 was helpful, as it was also an increase in *intra-regional investments*. However, in addition to the energy and telecommunications sectors, infrastructure, and tourism, both types of investments included some speculative activities in the financial and real estate markets.
- *Trade facilitation* whereby the reduction in tariffs and non-tariff barriers to imports reached the point that the region (the Middle East and North Africa) ranked second in 2006 among all developing regions on the number of tariff reforms carried out since 2000.
- *Intra-regional tourism* nearly doubled in three years, from 22 per cent in 1999 to 41 per cent in 2002. Overall, by 2004, the value-added share of services in GDP exceeded 50 per cent in all Arab countries except Algeria and Saudi Arabia (35 and 37 per cent respectively) and reached over 70 per cent in Jordan, Lebanon, and the oPt.

42. **The labour market regulatory framework and the skills level of the available workforce seem to have been less important as a disincentive to potential business investors in the region than a lack of access to finance and high tax levels.** This is what many regional enterprise surveys suggest.³² The fact that skilled emigration and unemployment rates among the educated are high in the region while university graduates enjoy low wage premiums is also supportive of this view. Some GCC countries have recently introduced new labour regulations that seek to improve the employment conditions of expatriate workers while promoting employment targets (quotas) for nationals. Others are also increasing their efforts to align national labour regulations with internationally agreed labour conventions while Jordan and Lebanon are introducing new labour measures and Syria will enact a new labour law to replace that in force since the 1950s.
43. **The positive effects on the labour market from changes in the policy environment have been reinforced by a decline in the explosive demographics of the Arab region.** The rate of growth of the labour force in MENA has declined by almost 15 per cent since 1990 (from 4 to 3.4 per cent per annum) and is projected to decline further to 2.2 per cent by 2020. Accordingly, the yearly inflow of workers

Figure 1: The demographic pressure on the labour markets started to decline (labour force growth in the MENA region)



Note: For a classification of the MENA countries, see Annex 1.

Source: Constructed from Tzannatos (2008) based on World Bank (2007a)

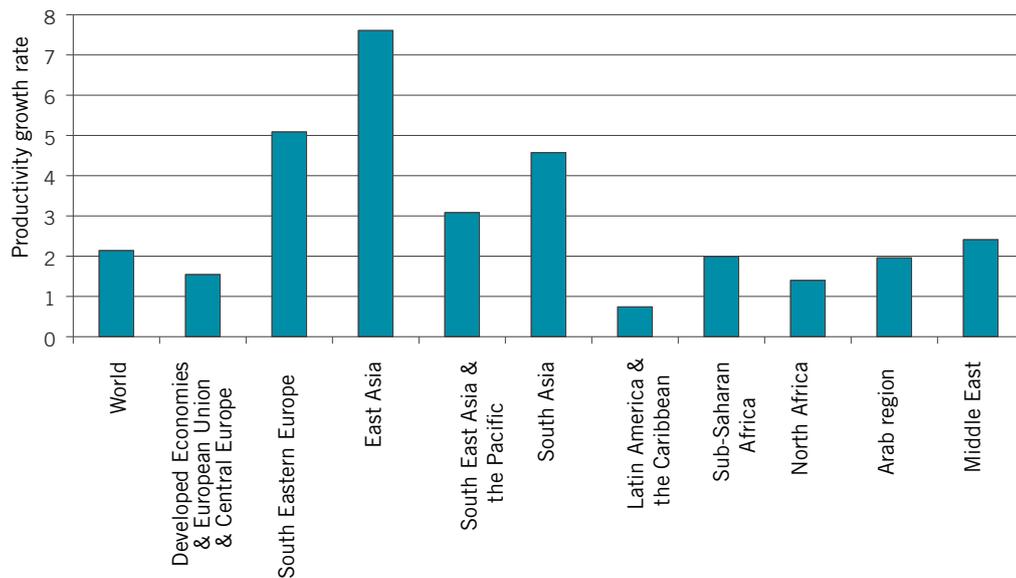
into the region's labour force is projected to decline from the current 3.9 million to 3.4 million by 2020 (Figure 1).

Despite positive developments, some structural challenges remain

44. **The crisis came at a time when many structural and social issues remained unresolved and this leaves little room for complaisance: what matters in today's interdependent world is not how fast a country grows, but how fast it grows relative to other countries.** In the second half of the 1990s, real per capita income in the MENA economies was growing at 60 per cent of the growth rate attained by the developing countries. This has risen to nearly 75 per cent since 2000. While this is certainly an improvement, the income gap between the Middle East and other regions is still increasing. In addition, countries in the region have benefited to different degrees from the recent revival while not all countries are promoting their reform agenda as much as they could or in certain sectors.
45. **Labour productivity growth remains slow** (Figure 2). Overall, the economies in the region are still biased towards low productivity investments (including real estate) with the end result that the majority of the new jobs being created are in low-skilled, low-wage jobs and, as is typically the case, most jobs in the agriculture sector consist of subsistence work. Capital bias and distorted incentives have led to informalization and to low value-added, service-based production. Manufacturing still performs poorly in most Arab countries in terms of diversification and value added. With the exception of petrochemicals in the GCC economies,

32 See World Bank: *Doing Business in MENA* (2008).

Figure 2: Global annual rate of productivity growth by region (%), 1998-2008



Note: For a classification of the Middle Eastern, North African and Arab countries, see Annex 1.

Source: Appendix Table A13.

traditional industries like textiles, clothing, and food processing still dominate the manufacturing sector, and high-tech industries are virtually non-existent. Finally, easy access to migrant labour that is employed at low wages (and, more generally, low labour costs) creates few incentives to increase productivity.

46. **Low productivity is related to low demand for skills and this creates a vicious circle.** If, as mentioned earlier, employers do not consider the lack of skills as being as significant a constraint as other business impediments, this can deter them from utilizing educated job seekers, providing training or offering higher wages. On the labour supply side, high unemployment rates among graduates may reduce the incentives for job seekers, especially the disadvantaged ones, to invest in education. In turn, under-investing in education causes productivity losses that reduce economic growth as well as the potential amount of income earned by workers over their lifetime. From a social perspective, the education and labour supply decisions of individuals affect family formation that in turn affects the poorest young women more than their wealthier counterparts as they are more likely to drop out of the education system and start their reproductive cycle earlier.
47. **The Arab economies are highly dependent on the dynamics of the international oil market as well as international aid – though the two apply to different**

countries. Oil and oil-related revenues are directly relevant to the economies of the GCC countries, Algeria, Libya and Sudan. Oil revenues are also indirectly relevant to the other countries in the region through spill over effects, such as migration and FDI. Furthermore, political tensions affect the confidence of global and regional investors and, at the same time, may attract or discourage donor aid. Fluctuating aid from donors from within and outside the region makes it difficult to sustain a predictable development process, especially in countries like Egypt, Lebanon, Jordan, oPt and Yemen. As long as fluctuations in the oil market continue and political uncertainties persist, the entire region will fail to achieve its full potential in terms of economic growth, incomes, and social development.

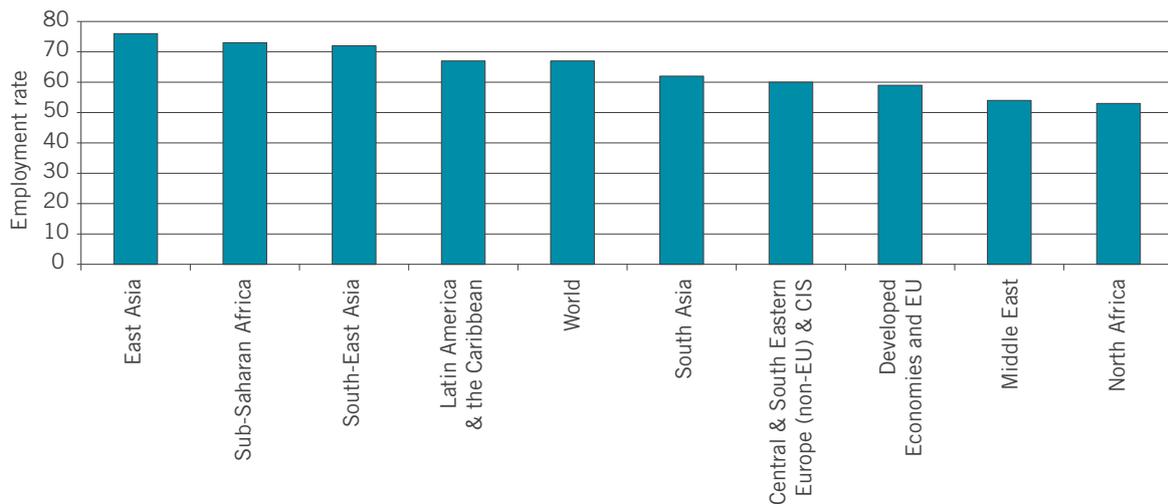
48. **In addition to regional volatility arising from fluctuations in the price of oil, some of the factors that contributed to the recent growth may prove ephemeral.** While FDI in the region has increased dramatically, it has benefited only a few countries (such as Egypt, Morocco, Tunisia and the UAE). Nearly half of the pre-crisis FDI came from within the region, of which nearly 60 per cent came from the UAE and Saudi Arabia. This is indicative that the Arab region is not attracting investment from global investors, except in oil and a few other activities. While a significant number of trade and regulatory reforms have been adopted since 2000, more effort is required for improving the business

climate and creating an environment conducive to private sector activities by the removal of impediments in the areas of starting a business, protecting investors and enforcing contracts. Even with respect to trade, tariff protection remains high outside the GCC countries, especially among the region's resource-poor countries, as do other significant constraints to trade including cumbersome import and export clearing processes. Arab intra-regional trade remains insignificant (around 10 per cent of total regional trade of which 70 per cent consists of oil).

49. **Past attempts by governments to reduce rising unemployment by expanding employment in the public sector is now an additional constraint to job creation.** This approach creates short-lived effects if it is not driven by considerations for improved social services and it amounts to the government acting as an employer of last resort. The share of regional employment in the public sector is 29 per cent, almost double that of the world average (18 per cent excluding China).³³ The short-term effects of an unjustified expansion of the public sector not only wither away quickly, but can become liabilities in the long-term that are difficult to reverse: bloated government employment increases fiscal deficits, crowds out private investment, creates unrealistic expectations among job seekers about employment in the public sector and can perpetuate unemployment. Specifically, in the Arab region, the increase in government employment did not halt the rise of unemployment, which reached the unprecedented regional average level of 14 per cent by the end of 1990s, twice as high as the world average rate of unemployment. As the region has the lowest employment rates in the world (Figure 3) the responsibility of the private sector to create additional jobs is therefore huge.
50. **The share of employment in manufacturing, as well as in agriculture, have been declining over time in most Arab countries, and this puts pressure on services to become the driver for employment creation.** Manufacturing now accounts for just below 23 per cent of the region's employment after declining over time also in terms of value added. Similarly, while the agricultural sector still accounts for more than one-third of total employment in the lower-income Arab countries (such as Yemen, Sudan, Mauritania, and Morocco) and for more than 20 per cent in Egypt and Algeria, its share in total regional employment is small (28 per cent) and is declining fast over time (for example, it was 33 per cent in 1998).
51. **Though migration is, in many respects, a strength, the region appears to suffer more from a "brain drain" than other migrant-sending regions.** The regional expatriation rate among the highly educated is over 9 per cent compared to 8.3 per cent in LAC and 7.1 per cent in EAP. The major streams of high-skilled worker migration are from the North African countries of Algeria, Morocco and Tunisia towards France and Belgium, and more recently towards Spain and Italy. However, in proportionate terms, the highly skilled from the region are mainly to be found in the United States and Canada. For example, 84.1 per cent of the Algerian migrants to the United States and 72 per cent to Canada may be classified in the highly-skilled category compared to 10 per cent in Europe.
52. **Moreover, labour migration has been time and again subject to political and economic shocks, thus creating yet another source of volatility in the region in addition to that created by fluctuations in the price of oil.** For example, in the wake of the 1990 Gulf War, massive return migration to Egypt, Jordan and the oPt contributed to worsening labour market conditions in both countries, while migration from the North African countries was tempered by the tightening of the labour markets in western European economies and by political turmoil, as in Algeria. Similarly, migration to the oil-producing Gulf countries had also tapered off prior to the rise in oil prices in the mid-1990s.
53. **Finally, the rate of poverty reduction has been rather slow in recent years.** In a comparative context, the Arab region has the lowest poverty rates when the poverty line is set as low as US\$1 per day or US\$1.25 per day. The headcount poverty rate escalates upward quickly as the poverty line is set at higher, and more realistic, levels (Table 3). Though poverty in the region has historically declined, it has done so relatively slower than other regions and seems to have stagnated in the last decade.

³³ See companion paper ILO: *Growth, Employment and Decent Work in the Arab Region: Key Policy Issues*. Paper presented at the Arab Employment Forum, Beirut, 19-21 October, 2009. (2009e).

Figure 3: Lowest employment rates in the Arab region (%), 2008



Note: For a classification of the Middle Eastern, North African and Arab countries, see Annex 1.

Source: ILO (2009).

Table 3: MENA poverty rates

(Percentage of the population living below various poverty lines), 1981-2005

	1981	1990	2002	2005
\$1/day	3.6	2.3	2.0	2.0
\$1.25/day	8.6	5.4	4.7	4.6
\$2/day	28.7	22.0	19.6	19.0
\$2.50/day	41.3	33.7	31.8	30.9
Memo Item:				
\$2.50/day World Average	74.8	70.5	62.5	57.6

Notes: (1) Based on expenditure surveys for Algeria, Djibouti, Egypt, Iran, Jordan, Morocco, Tunisia and Yemen.

(2) For a classification of the MENA countries, see Annex 1.

Source: Chen and Ravallion (2008).

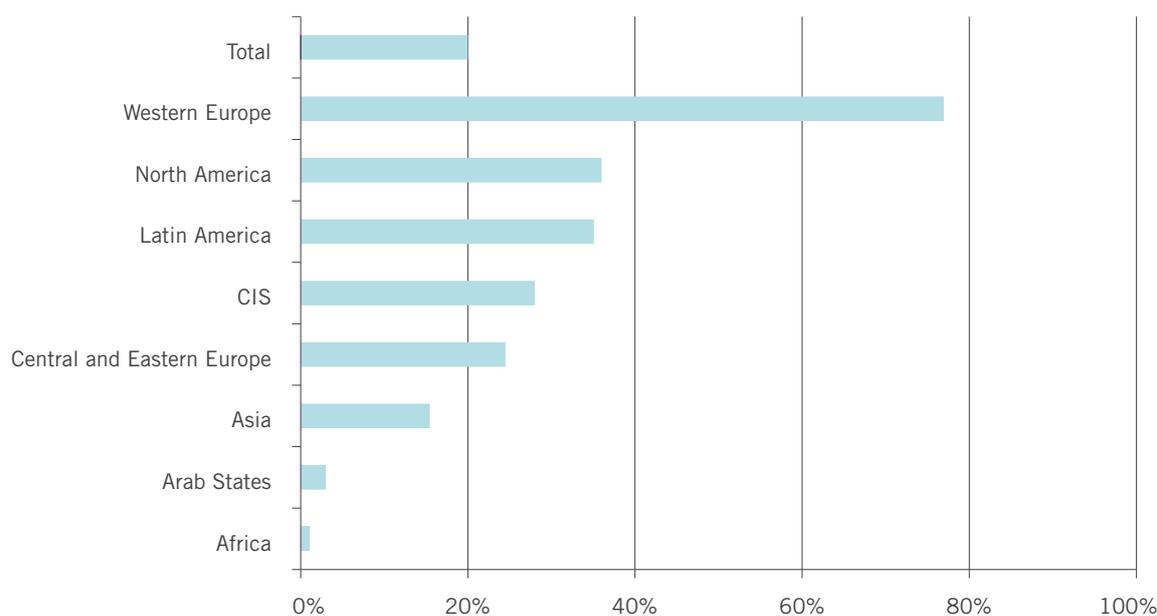
Social protection and workers' rights remain inadequate

54. **While much progress has been made in the last two decades in developing more effective institutional frameworks to deal with socio-economic challenges, the region still lags behind others in some respects.** Employment and social protection policies tend to be fragmented and weakly integrated into the core national policy debates. The promotion of fundamental workers' rights and rights at work has not been one of the main priorities. Social dialogue mechanisms are weakly institutionalized, and many employers' and workers' organizations struggle with inherent structural problems, including sectoral shifts in employment and reduced trade union membership as the share of services in employment increases. Such weak institutional frameworks create challenges for the development and implementation of crisis response strategies guided by effective and well established tripartite mechanisms.

55. **Only a small proportion of the region's population enjoys adequate social security and, despite their low coverage, pension schemes in the region faced serious challenges of financial sustainability, equity, efficiency and governance even before the crisis.** Pension coverage in the regional economies remains modest, paid on average to only around 10 per cent of the elderly. Only 30 per cent of the region's labour force is currently enrolled in some pension scheme. This implies that even in 20–30 years from now, the vast majority of the then elderly is likely to be uninsured in old age. While pension schemes currently benefit from a favourable demographic structure, rapid population ageing will further increase pension liabilities and is likely to put considerable pressure on public budgets.³⁴

³⁴ For a more detailed exposition see companion paper *Building adequate social protection systems and protecting people in the Arab region*. Paper presented at the Arab Employment Forum, Beirut, 19–21 October, 2009 (ILO, 2009f).

Figure 4: Percentage of total unemployment with unemployment benefits, weighted by labour force, 2008



Note: For a classification of the Middle Eastern, North African and Arab countries, see Annex 1

Source: ILO (2009) "Protecting people, promoting jobs: A survey of country employment and social protection policy responses to the global economic crisis". Report prepared for the G20 Leaders Summit, Pittsburgh, 24-25 September 2009. Geneva, 2009.

56. **Few formal social security mechanisms exist to cover the risk of unemployment, while social assistance schemes and other formal social safety nets tend to be fragmented and weakly coordinated.**

Some countries have unemployment insurance schemes (such as Algeria) and Bahrain extends it to first-time job seekers. Kuwait introduced a social assistance scheme for first time job seekers in 2003 whereby nationals who declare they want to work, but are unemployed, receive a monthly allowance for a period of up to one year. Jordan and Syria are considering the introduction of unemployment insurance accounts under a funded (private) pillar. Still, the coverage of unemployment insurance in the region remains the lowest in the world (Figure 4).

57. **Compared to other regions of the world at similar levels of development, levels of ratification of international labour standards in the Arab region is rather low.**

The ILO has identified a comprehensive set of instruments to protect rights, which are particularly relevant in the current crisis context, through conventions pertaining to the protection of workers' rights, migrant workers, social security, occupational safety and health, social dialogue and employment policy.³⁵ Some countries in the region have ratified a few of the fundamental Conventions

and practically no others (see Appendix Table B6).³⁶

Crisis responses should ensure that workers' rights and international labour standards are maintained and, where necessary, strengthened. Recognizing the value and importance of international labour standards, especially in the current crisis context, the regional countries should be encouraged to consider ratification of relevant instruments, and to step up national efforts to implement these standards.

Conclusions

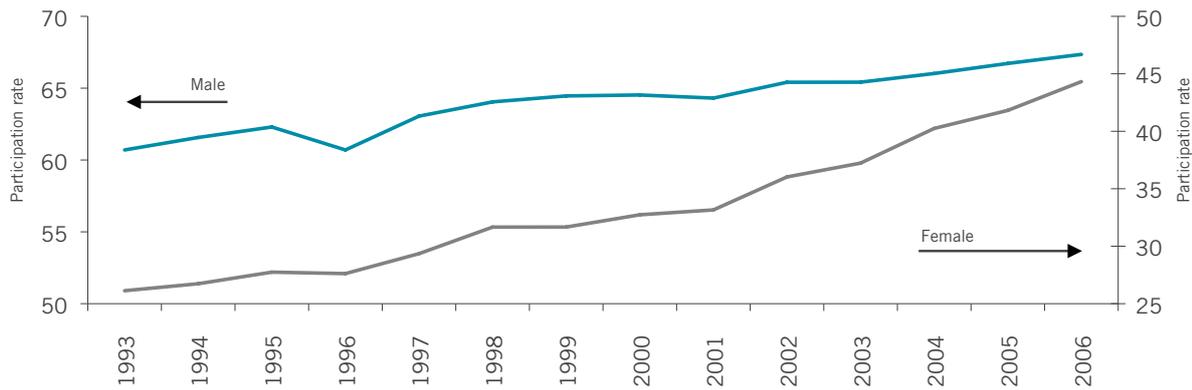
58. **The Arab economies entered the global crisis with many pre-existing challenges; however, their pre-crisis revival can guide them with respect to what their future strengths and opportunities can be.**

As fertility rates decline and the many children born in the 1980s are now entering the labour force, this can be seen as a window of opportunity, an untapped source of labour. In addition to an expected decline in the rate of growth in the labour force, the new entrants to the labour market will be better educated than existing workers and will, therefore, be more productive. Increasing female labour force participation rates, as well as increasing the educational levels of women, will contribute further to

³⁵ See also companion paper *The Financial and Economic Crisis: A Decent Work Response*. (ILO, 2009a).

³⁶ Appendix Table B6 presents the ratifications of fundamental and other Conventions in the region. See also companion paper *Supporting recovery policies through international labour standards and respect for workers' rights: Issues and challenges for the Arab region*. Paper presented at the Arab Employment Forum, Beirut, 19-21 October, 2009 (ILO, 2009g).

Figure 5: Labour force participation rate in Kuwait by gender (%), 1993–2006



Notes: (1) Kuwaiti nationals only.

(2) For a classification of the Middle Eastern, North African and Arab countries, see Annex 1

Source: Kuwait, Ministry of Planning, Population, and the Labour Force, 1993–2006.

a more educated labour force, as well as to the reduction in the dependency ratio in the population, which will help increase individual savings and investments and enable governments to consolidate and expand their social insurance schemes, which are currently unsustainable.

59. **The rising labour force participation of women³⁷ is worth emphasizing as it took place amidst declining unemployment rates, thus countering the intuitively appealing argument that women displace men in the labour market.** This argument ignores the fact that labour markets in the region are often severely gender segregated and that female unemployment rates are often higher than those of men, sometimes significantly so. Regardless of the gender composition of the labour force, as more women become educated and join the labour market, the productivity of the labour force increases and with it the rate of economic growth. It is, therefore, not a contradiction to observe that both the female and male labour force participation rates may increase at the same time. This is the case, for example, in Kuwait where the rapid increase in female labour force participation has been accompanied by an increase in male labour force participation (Figure 5).

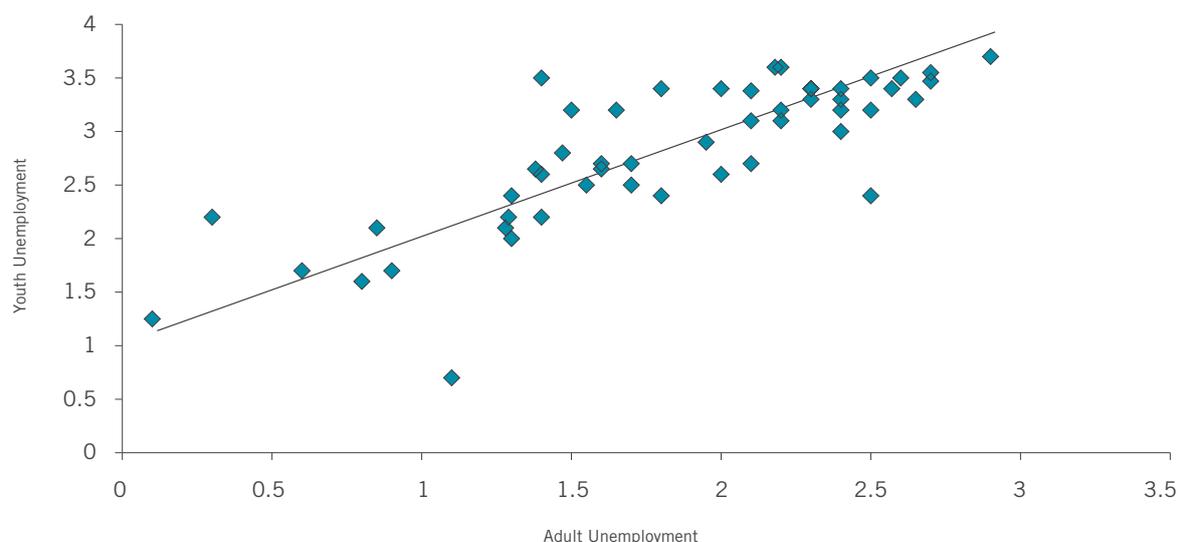
60. **Similar arguments to the “gender displacement” argument have often been made with regard to youth unemployment.** The youth unemployment rate in the MENA region is the highest in the world at 26 per cent, nearly 80 per cent higher than the world average and more than double the

overall unemployment rate in the region. The argument has been made that young people and adults compete for the same jobs and, therefore, as in the case of women and men, if one group wins, the other loses. However, it seems that where youth unemployment is high, adult unemployment is also high. Figure 6 shows the relationship between youth and adult unemployment in an international context and suggests that high unemployment rates for one group are associated with high unemployment rates for the other. The conclusion that can be drawn from a comparison between adult and youth unemployment rates is that creating jobs will, in general, require a wider initiative than just introducing measures for unemployed young people.

61. **The discussion in this chapter points to two important conclusions: first, youth unemployment is a serious issue in the region; second, the problem is not just youth unemployment, but the inability of the economies to create jobs.** Whether the pre-crisis promising trends will prove sustainable is not clear, in view of the multiple segmentation that exists in the labour market between the public and private sectors (and by extension between formal and informal employment), between women and men, and between national and expatriate workers. However, the positive experiences with recent labour market outcomes can guide governments to select the policies that can lead to a sustainable and equitable future growth path along with compatible measures for addressing the effects of the crisis.

37 ILO: *Growth, Employment and Decent Work in the Arab region: Key Policy Issues*. Paper presented at the Arab Employment Forum, Beirut, 19-21 October, 2009 (2009e).

Figure 6: When unemployment is high, it is for both young people and adults
(youth and adult log unemployment rates, world, 2000s)



Source: Constructed from Tzannatos (2008) based on World Bank (2003).

62. **In addition to the need to address the many dualities that persist in the labour market, more emphasis should be placed on measures that would increase productivity, establish a social protection floor and improve the social dialogue.** As indicated in this chapter, productivity growth in the region has been rather disappointing and, while data on wage trends are generally lacking in the region, it can be assumed that employment creation has not been accompanied by comparable gains in incomes. This is implied by the relatively slow rate of decline in the share of working poor and, more generally, the decline in the overall poverty rates. This can leave many people in the region vulnerable, especially since social protection is not well developed. Measures that encourage social dialogue can be beneficial in this respect given that the type and composition of reforms in the areas of employment, vulnerability and poverty can be complex while the size of required resources can be significant. When the social partners meet and face the same grave economic situation, they often have many common concerns that can create consensus for a wide range of policies³⁸ (Text Box 2 overleaf).

³⁸ See also companion paper *Tackling the global jobs crisis through social dialogue: Issues, challenges and perspectives in the Arab region*. Paper presented at the Arab Employment Forum, Beirut, 19–21 October, 2009 (ILO, 2009h).

Box 2: The crisis and regional social dialogue

The regional office of the ILO in Beirut convened a meeting in Beirut on 28 July 2009 with representatives of regional employers' and workers' organizations to discuss the impact of the global crisis on Arab States and the role of social dialogue and the participation of workers and employers in shaping the policy responses to the financial and economic crisis. The meeting also included academics, civic organizations and representatives of the Arab Labour Organization.

There was agreement among the participants in many areas, including that priority should be given to governance/corruption issues, social protection, social dialogue and greater regional cooperation. More specifically, the following proposals, among others, were put forward.

The employers' proposals called for:

- the need to reduce red tape in the real economy by improvements in the legal and administrative procedures that apply to investment, domestic and foreign;
- financial assistance to the previously profitable enterprises that have been adversely affected by the crisis, but have promising prospects once it is over;
- social insurance, especially unemployment and health insurance, through national solidarity measures (e.g. with support from the state budget) instead of passing its costs to the labour market;
- legislation that would enable micro enterprises (employing fewer than 10 workers) to graduate from the informal sector;
- support to the SMEs to reach their efficiency scale of production;
- enhancement of the social dialogue through the Economic and Social Council (ECOSOC).

The workers' representatives noted that responses to the crisis should be based on a study of development paradigms in the Arab world and their results, and focused on the following priority topics for the Arab region:

- decent and sustainable employment;
- redistribution of wealth;
- social dialogue through ECOSOC;
- respect for international labour standards (ILS);
- good governance;
- a basic social protection floor;
- economic regional integration;
- unemployment insurance fund (as in Bahrain and Algeria).

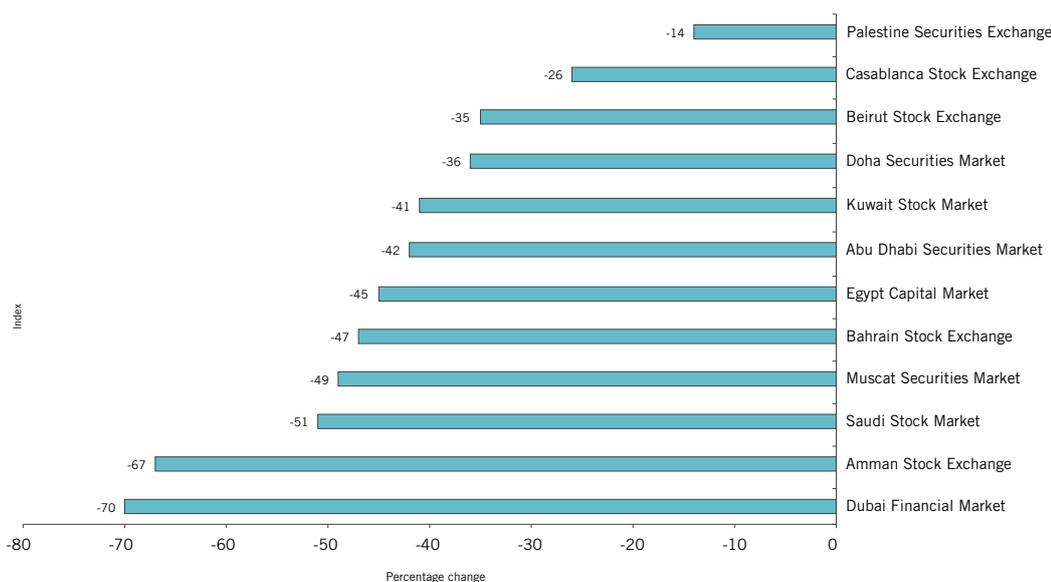
Chapter 4: The impact of the crisis on the Arab economies

63. **The impact of the crisis was initially felt on the GCC countries, but others have already started to feel adverse developments in their economies and labour markets.** The stock market indices in the GCC countries lost on average 50 per cent compared to 40 per cent in the non-GCC countries. Despite massive declines in the Middle East market indices, the financial sector does not seem to have been adversely affected to the extent that it has in advanced economies. This is because their fiscal position enabled them to bail out the worst affected cases, and among the non-GCC economies, many are relatively isolated from the global financial system. For example, Iraq has no stock market while Syria created its own only in March 2009. Nevertheless, Jordan suffered heavy losses (Figure 7).

regions (with the exception of Asia),³⁹ while Qatar is expected to grow by double digits (see Appendix Table B3).

65. **The relative positive outlook for the region may need to be qualified.** In the Arab region there are delays and gaps in statistical data availability to assess the latest picture with confidence – an area where the region lags considerably behind other regions (see earlier Text Box 1). Also, given the lower rate of the regional integration with the global economy, the crisis may be slower in registering its effects through secondary, but nevertheless significant, transmission channels. Finally, the combination of deteriorating terms of trade, global deleveraging and unprecedented weakness in global growth means the region is far from safe.

Figure 7: Percentage change in the Arab stock market indices, January 2008 to August 2009



Source: Arab Financial Market Resource Centre Online Database.

64. **Overall, the expectation is that the global crisis may be slower in affecting the region compared to others, and its effects may be less severe.** Earlier forecasts at the beginning of the crisis suggested that output growth in the Arab economies would be more than 4 per cent in 2009. However, these estimates have now been revised downwards to an estimated 2.5 per cent. And, though some GCC economies, such as Kuwait, Saudi Arabia and the UAE may experience negative real GDP growth rates for 2009, the forecasts for the region overall are relatively better than those for all other

66. **The transmission channels, like the origins, of the crisis are numerous and can vary from country to country.** The impact on the GCC countries is easier to summarize as their economies are more homogenous and have been affected mainly by the reduction in oil prices and contractions in the financial and construction sectors (Text Box 2). They all entered the crisis with very strong fiscal and external balances and should therefore be in the best position to absorb the consequences of the crisis.

³⁹ IMF: *World Economic Outlook: Crisis and Recovery*. (Washington D.C., 2009)

And, though some mega-infrastructure projects are being delayed – even cancelled, government spending in the GCC countries has been sustained in some cases even after the decline in oil prices, as in the case of recent increases in salaries of public sector employees. In the private sector, the economic downturn has increased the downward pressure on wages. Declining wages and falling employment levels in the GCC economies are likely to be borne mainly by expatriate workers.

67. **The transmission mechanisms of the effects of the global crisis on the more diversified economies are more complex and may operate via sometimes opposing forces.** For example, declining global oil prices have a positive impact on the trade deficit of oil importing countries, but a negative impact on transfers. Other channels include: declining private capital flows; declining aid flows; lower global and regional growth; reduced trade; reduction of commodity prices; decline in budgetary subsidies; drop in tax revenues; and reduced remittances/migration.
68. **Irrespective of the transmission channels, the effects of the crisis on employment and the social sectors can be severe and long lasting.** Many countries, including some that are oil producers (such as Iraq, Syria and Yemen), are already under tight fiscal constraints. Though official data on unemployment are not yet available for 2009, unemployment is reported to have increased in practically all regional economies. Early (though often unverified) information on the effects of the crisis on other social sectors also paint a bleak picture, some of which are mentioned below starting with migration.⁴⁰

Effects on labour migration⁴¹

69. **Migrants can be hit in many different ways by the crisis.** Migration flows can be reduced due to declining economic activity in receiving countries, both in the EU and also the GCC. The wages of migrant workers may be reduced, delayed or even

40 The information provided below has been extracted from various reports and publications of national, regional and international agencies and organizations, government announcements and media reports, for example, ILO, World Bank, IMF, UNDP, official documents, trade union reports, European Commission reports, The Economist Intelligence Unit, Carnegie Middle East Center and media reports from Associated Press, Financial Times, Reuters, Agence France Presse, Factiva, Dow Jones, Sudan Vision Daily, MenaFn, Arabian Business, Magharebia, Kuwait Times, Bureau of Near Eastern Affairs US Department of State, African Economic Outlook and official government websites. Details are available from the author.

41 See companion paper *International labour migration and employment in the Arab region: Origins, consequences and the way forward*. Paper presented at the Arab Employment Forum, Beirut, 19-21 October, 2009 (ILO, 2009j).

not paid at all. There can also be changes in the composition of migrant workers due to different impacts of the crisis on different sectors (for example, construction vis-à-vis services) or occupations (skilled versus unskilled). For example, Tunisians working abroad are more qualified and have been less affected by the downturn than their Moroccan counterparts. At the global level remittances are expected to drop by no less than US\$290 billion (with a worst case scenario of US\$280 billion) in 2009.

70. **Though regional data are scarce, remittances are expected to contract in 2009.** Some 10 per cent of the world's remittance inflows are directed to MENA countries, and nearly 20 per cent of the world's remittance payments originate in the Gulf countries. The World Bank estimates that the level of remittances from GCC countries would decrease by 3 per cent in 2009, while remittances received in the MENA region are expected to continue to grow in 2009, but at a slower pace than before.⁴² Another estimate is that the remittances of the Arab Diaspora in the GCC or in Europe will decline by between 5 and 10 per cent in 2009 in the base-case scenario. Yet another estimate is that the current financial crisis is impacting remittance flows from the EU and the GCC (estimated at -1.4 per cent for 2009). From a country perspective, various reports mention that in Somalia, remittances may have fallen by 25 per cent in 2009 of an estimated annual flow of US\$1 billion. In Sudan, net private transfers, mainly remittances, fell by US\$800 million compared to 2006, while in Morocco remittances declined by 2.4 per cent in 2008. Even under more normal conditions in recent years, remittance income has declined in Jordan and Yemen since 2000 (see Appendix Table B4), although it still amounts to 18 per cent of GDP in Jordan and to more than 25 per cent in Lebanon.
71. **There is less information on migrant worker flows though a negative impact emerges.** Migrants in the EU and the GCC countries are facing the prospect of returning to their countries of origin, especially those working in sectors where unemployment is higher (construction in Spain and GCC countries). In Europe, some countries have put in place policies to encourage migrant workers to return, with

42 Ratha, D.; Mohapatra, S., and Xu, Z.: *Outlook for remittance flows 2008-2010: Growth expected to moderate significantly, but flows to remain resilient: Migration and Development Brief 8*. (Washington D.C.: World Bank, 2008). Ratha, D. and Mohapatra, S.: *Revised outlook for remittance flows 2009-2011: Remittances expected to fall by 5-8 per cent in 2009*. (Washington DC: World Bank, 2009).

modest effectiveness so far. According to some reports, unemployment among migrant workers has almost doubled in the United States, Spain and Ireland since the start of the crisis. Many countries, including the United States, the United Kingdom, Spain, and Russia, have tightened immigration restrictions. Italy slashed its entry quota for non-seasonal migrant workers to zero from 500,000 and criminalized illegal immigration for an estimated 650,000 migrants who reside and work in the country without authorization. The labour-sending countries with strong economic links to the GCC are being affected more than others. These countries include Lebanon, Jordan, Yemen and Egypt. However, the situation in the GCC should be examined in perspective, that is, in comparison to what has happened in other regions. By some accounts, labour migration in the GCC has fared much better than in other regions.⁴³

72. **Among the GCC labour markets, expatriate workers in the UAE seem to have been affected most by the crisis.** The incidence of a downturn however, may be biased because of developments in Dubai, the one Emirate to suffer most heavily from the financial crisis. For example, the workforce in the construction and real estate business in Dubai is expected to fall by 20 per cent in 2009 and 10 per cent in 2010, leading to an overall population decline of 8 per cent in 2009 alone, almost exclusively because of repatriating migrant workers. The number of applications submitted by UAE residents for vacancies in other Gulf countries increased by two-thirds compared to 2008. The number of workers in the construction and real estate sector has fallen by up to 35 per cent since last autumn, and one in ten have lost their job in the past six months according to a poll. Salaries and perks had declined up to 40 per cent in the IT industry. A Ministry of Economy survey indicated that the unemployment rate among UAE citizens was as high as 12.7 per cent. A recent survey of more than 22,000 workers in the GCC countries indicated that 28 per cent of respondents felt they may have no choice but to return home as a result of deteriorating employment conditions. The same survey indicated that labour turnover (workers changing jobs) has decreased: 30 per cent of respondents

indicated they would stay in the same job for more than 36 months, if they could, compared to only 22 per cent who said they would consider moving to another job in the next three months.

Effects on other areas

73. **In most Arab countries, as elsewhere, previous episodes of crises have been typically accompanied by changing inequality.**⁴⁴ This is more so for the Arab region where, due to population pressures, even a positive economic growth does not guarantee poverty reduction. However, even the optimistic scenario of just slower (but not negative) growth, still leaves the region in danger of stagnation with respect to the number of working poor.
74. **Though relatively low and declining since 1980, poverty in the region may increase due to the direct impact of the crisis and reduced public social expenditure.** However, in the face of collapsing private capital flows and reduced demand for export goods, remittances are now relatively more important in many countries. In terms of poverty reduction, every 10 per cent increase in per capita official remittances leads to a 3.5 per cent decline in the share of people living in poverty.⁴⁵ A recent UNDP study reports that poverty rates in some regional economies have gone up reaching 19 per cent in Morocco, 20 per cent in Egypt, and 15 per cent in Jordan since the mid-2000s though part of the increase may be related to the earlier food and fuel crises.⁴⁶
75. **Even if the number of crisis-related redundancies remains low, it is likely that young people and women will face increased difficulties in entering the labour market.** This may further increase the already high youth unemployment and inactivity rates of these groups, and may cancel out or even reverse some of the recent successes in better integrating these groups into the labour market.⁴⁷
76. **A further concern is the value of pension fund reserves in the region, adversely affected by the crisis.** The value of mandatory pension fund reserves in a sample of countries has decreased by between 8 and 48 per cent between autumn 2007

43 Awad, I.: *The global economic crisis and migrant workers: Impact and response*. (ILO, Geneva, 2009). Abella, M. and Ducanes, G.: *The effects of the global economic crisis on Asian Migrant workers and Governments' responses* (Unpublished paper). The paper is a synthesis of country reports presented in the session on the Impact of the Economic Crisis on Labour Migration in Asia, in the LO/SMC Workshop on Building Comparable, Up to date and Sustainable Database on Labour Migration, held in Manila on 21–22 January 2009.

44 ILO: *World of Work Report 2008: Income Inequalities in the Age of Financial Globalization* (Geneva, 2008a).

45 Dadush, U. and Falcao, L.: *Crisis and the Diaspora Nation* (International Economic Bulletin, June 2009).

46 Abu-Ismaïl, K. and Pournik, M.: *The Impact of the Global Financial Crisis on Arab States and Policy Reactions* (UNDP Regional Center in Cairo, August 2009).

47 ILO: *The Financial and Economic Crisis: A Decent Work Response*. (Geneva, 2009a).

and autumn 2008.⁴⁸ Pension funds in the Arab world are unlikely to be completely spared from the crisis, though their relatively conservative investment strategies may limit their exposure to it.

77. **Finally, another risk of the global crisis may be the creation of social tensions – an issue that can hopefully be addressed, at least to some extent, through social dialogue.** The risk may be higher when governments in the region pursue economic liberalization though, when this happened in the case of subsidy removal in Jordan, the government

introduced compensatory measures to cushion the costs of adjustment upon the needy. It is too early to judge whether these measures will be adopted and implemented effectively and, moreover, whether they have the power to actually improve poverty and mitigate social tensions, given some governments' poor historical performance in the realm of social policies. However, should the global crisis take a turn for the worse, the region is expected to be hit much harder than other regions (Table 4: Scenario 3).

48 Behrendt, C.; Haq, T. and Kamel, N.: *The impact of the financial and economic crisis on Arab States: Considerations on employment and social protection policy responses* (Beirut: ILO Regional Office for Arab States, 2009).

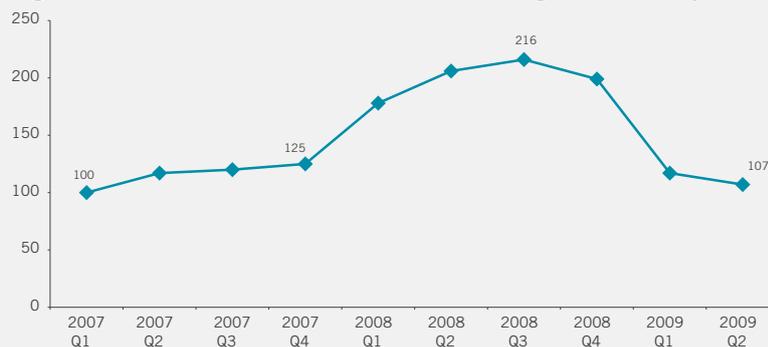
Box 3: The impact of the crisis on the financial sector and investment in the GCC countries

Among the Arab economies, the GCC have so far been affected most by the crisis due to higher levels of integration in the financial markets, considerable investments in assets in the United States, increased costs of funding, the decline in the international price of oil from its record US\$150 per barrel in early 2008 and liquidity problems in the wake of the crisis.

Kuwait was among the first to be hit as investment companies had made leveraged investments in equities. The Kuwait Stock Exchange (KSE) was closed for four days by court order, the media reported losses in the range of US\$20 billion, and some joint ventures, as well as plans for the construction of a fourth refinery project were cancelled. GDP growth for 2009 is expected to be negative (-1.1 per cent) compared to 6.3 per cent growth in 2008.

In Dubai sovereign debt may have reached US\$10 billion and US\$70 billion in affiliated companies while house prices declined more than 50 per cent from their peak in summer 2008 (Figure 8). A similar decline in real estate prices was reported for Qatar. More than 50 per cent of Dubai's residential and commercial projects due for completion between 2009 and 2012 are on hold or have been cancelled. Abu Dhabi developers were also badly affected, and prices dropped in the UAE with the cessation of new activities. Overall, 400 projects with a total value of US\$300 billion are said to have been suspended or cancelled. GDP in the UAE is expected to fall -0.6 per cent in 2009. In contrast, Qatar is expected to see double digit growth in output due to liquefied natural gas (LNG) exports.

Figure 8: Dubai House Price Index (Foreign Ownership Area)



Source: Colliers International HPI Report 2009 2nd Quarter

In Saudi Arabia oil refinery and aluminum smelter projects, as well as the attraction of industrial enterprises to mega projects, slowed down. Around 80 active projects with a total value of US\$20 billion are said to have been put on hold. Its GDP is expected to fall by nearly -1 per cent in 2008. Merchandise trade for May 2009 showed a decline in non-oil exports of 23 per cent compared to May 2008, and total imports were down by 16 per cent during the same period.

Shares in Arab Banking Corporation plunged when relisted in Bahrain after a long suspension as huge US sub-prime losses were cleaned out. However, Bahrain's GDP growth is expected to be positive in 2009 (at 2.6 per cent) though this is less than half than the corresponding rate for 2008 (6.1 per cent).

Source: Compilations from official documents, government announcements and media and donor reports.

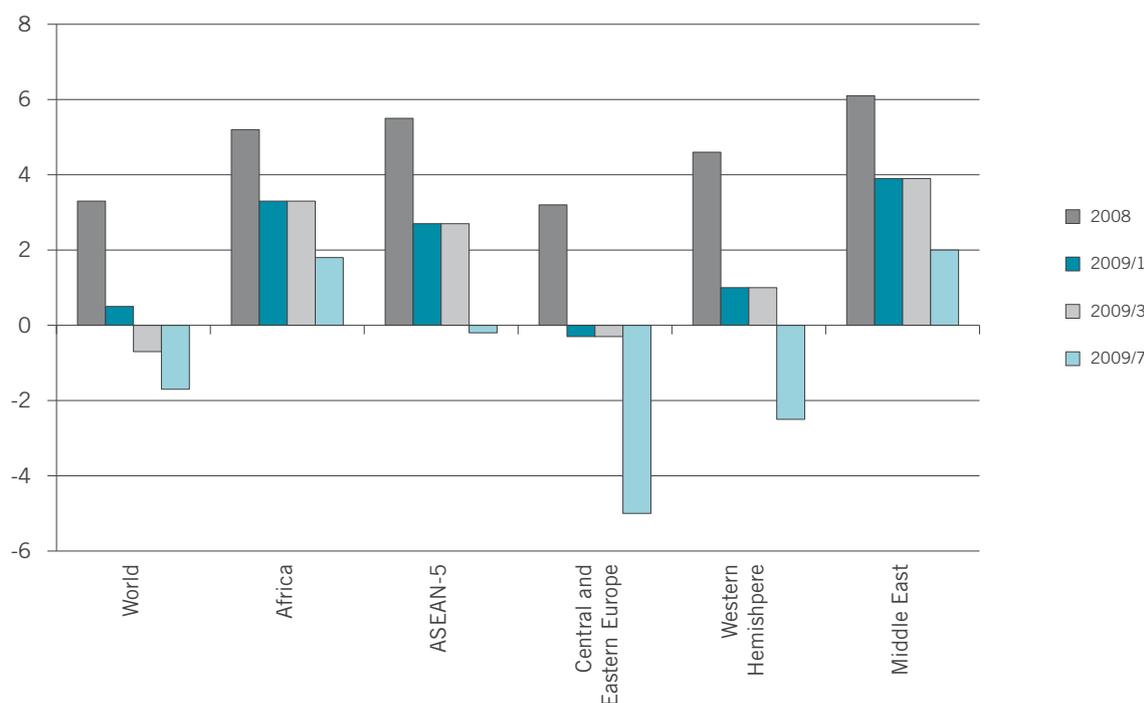
Table 4: Scenarios for unemployment and vulnerable employment in 2009

	2007	2008	2009		
	Actual	Actual	Scenario 1	Scenario 2	Scenario 3
Unemployment rate (%)					
World	5.7	5.9	6.5	6.8	7.4
Developed Economies and EU	5.7	6.1	7.7	7.8	9.0
Central & South Eastern Europe (non-EU) & CIS	8.4	9.0	10.8	10.5	12.1
East Asia	3.9	4.3	4.7	4.6	5.8
South-East Asia & the Pacific	5.4	5.5	5.4	6.0	6.2
South Asia	5.0	4.9	5.0	5.4	5.6
Latin America & the Caribbean	7.1	7.2	8.1	9.2	8.4
Sub-Saharan Africa	7.7	7.6	8.0	8.4	8.2
Middle East	9.5	9.0	8.8	9.3	11.0
North Africa	10.6	10.0	9.8	10.9	11.1
Share of vulnerable employment in total employment (%)					
World	50.4	49.4	48.9	50.5	52.8
Developed Economies and EU	10.1	10.1	10.2	10.9	11.4
Central & South Eastern Europe (non-EU) & CIS	20.4	19.1	16.9	20.9	25.3
East Asia	56.0	53.4	51.8	53.5	56.6
South-East Asia & the Pacific	62.1	61.1	59.9	62.3	64.4
South Asia	78.0	77.1	76.2	77.7	78.8
Latin America & the Caribbean	31.0	31.2	31.6	32.1	34.5
Sub-Saharan Africa	73.4	72.9	73.2	74.5	77.8
Middle East	33.4	32.8	32.6	33.7	39.3
North Africa	37.6	36.8	36.4	40.7	42.4

Note: For a classification of the Middle Eastern, North African and Arab countries, see Annex 1

Source: ILO, Trends Econometric Models, May 2009. 2008 unemployment figures from September 2009.

Figure 9: World economic outlook is still deteriorating
(successive regional forecasts for the rate of economic growth (%) in 2009 as the crisis evolved)



Note: The 2008 figures are actual, and the number after the other years suggest the month in which the forecast was made.

Source: Appendix Table A14.

Conclusions

78. **The impact of the crisis on the region (and more generally, the world) remains uncertain.** While the recovery may start within a year or two after the start of the crisis, the international experience summarized in Table 1 at the beginning of this paper suggests that reaching the desirable pre-crisis levels takes much longer. For example, unemployment may stay high for five years or more. However, the region may maintain its recent employment momentum till the end of 2009 except in the worse case scenario (Table 4).
79. **Which scenario will prevail is not known, as forecasting models based on past recoveries from more or less ordinary recessions since the Second World War would not apply to what is now known to be the worst global slump since then.** The initial forecasts of output decline since the beginning of the current crisis proved overly optimistic and have been adjusted on a more or less monthly basis (Figure 9). Some of the optimistic forecast errors so far can probably be attributed to some political reasons: a pessimistic forecast is bound to affect expectations negatively and thus contribute to the downturn. However, another factor is that economic models are good, to the extent that they are, mainly at predicting small changes within the existing paradigms or small departures from them and not catastrophic events.
80. **Policy-makers in the region should therefore take negative signs seriously and, since they cannot control the future, they should prepare policies that can apply to a wide range of possible future outcomes.** Two relevant criteria for policy choices in this respect are to select measures useful beyond the course of the crisis and that have systemic effects. The next chapter summarizes the policy responses of the regional governments so far and the last and final chapter proposes some additional measures.

Chapter 5: Arab policy responses to the crisis

81. **In response to the crisis, many governments in the region took measures to mitigate its effects.** Most of the emphasis seems to have been on the financial sector aiming to reduce the systemic effect arising from lack of credit.⁴⁹ Many countries introduced fiscal and monetary measures to maintain economic activity at the macro level. While many projects have been abandoned, increases in public spending, if not rescue packages as such, have been introduced or announced in Egypt, Jordan, Libya, Mauritania, Morocco and Tunisia as well as in the GCC economies.⁵⁰
82. **In addition to introducing a variety of measures to stabilize the financial sectors and fiscal measures to maintain aggregate demand, the governments in the region engaged in selective support to various industrial sectors deemed to be critical during the period of the crisis.** Egypt is focusing on the building and construction sector, as well as government investments in water, sewage, infrastructure, railways and airports. In Morocco, the government is targeting tourism as well as the textile, leather and automobile industries. GCC governments are providing continued support to the construction, petrochemicals, oil/gas and water sectors.
83. **Many governments are continuing with institutional and administrative improvements.** Comoros set up a budgetary committee to coordinate and strengthen budget management, control the wage bill, and improve tax and customs administration. New committees for following up on the crisis have been created in Jordan, Saudi Arabia, and Sudan. Revisions or replacements in the labour laws are being contemplated in Jordan and Syria, which are also considering expanding and reforming their social security systems. Ministries in some
84. **There have been various attempts to monitor and coordinate the course of action required during the crisis, including expanding the dialogue between the social partners.** Jordan formed a high-level committee to study the impact of the global crisis on the economy, and created a socio-economic council, comprising representatives of employers, employees, civic institutions and the public sector. In Bahrain, the labour unions began a “right to work” campaign to reinstate workers who lost their jobs, and the Ministry of Labour indicates there are close relations with the Bahrain Chamber of Commerce and the Federation of Bahrain Trade Unions in addressing the crisis effects.
85. **Some countries have taken defensive measures, some due to the crisis and others as part of their development objectives.** In Algeria, some measures aim to restrict foreign investors to a minority share (49 per cent) of joint ventures with local companies, and for companies importing goods for re-export to cede a 30 per cent share of their capital to local entities. In Iraq raising tariffs may appear defensive, but is announced as an incentive to foreign companies to locate their operations within the country.
86. **Enterprise support has taken various forms.** In Djibouti and Egypt enterprises are to benefit from various tax reductions and exemptions. In Morocco and Tunisia they were given a tax “holiday” with respect to their social security contributions (meaning they can postpone or be excused from paying their contributions for a period of time). Iraq provided a series of incentives to investors as did many other countries as part of the expansionary measures it introduced. The Dubai government began implementing measures to ease visa rules for foreign property owners and abolished the US\$41,000 (Dh 150,000) minimum capital requirement for starting a business.
87. **Salary increases for civil servants have been given in most countries.** Though some predated the crisis, salary increases in some GCC countries were rather generous, for example, in Kuwait and the UAE. They were not confined to GCC economies as they were also given recently to government workers in Algeria, Lebanon, Libya, Morocco and Tunisia.

49 The ILO paper presented at the G20 meeting in Pittsburgh, September 2009, includes a summary of country responses to the crisis based on a global survey. The findings of the survey are summarized below in the text. See ILO: *Protecting people, promoting jobs: A survey of country employment and social protection policy responses to the global economic crisis. An ILO report to the G20 Leaders Summit, Pittsburgh, 24–25 September 2009* (2009d).

50 The information provided below has been extracted from various reports and publications of national, regional and international agencies and organizations, government announcements and media reports, for example, ILO, World Bank, IMF, UNDP, official documents, trade union reports, European Commission reports, The Economist Intelligence Unit, Carnegie Middle East Center and media reports from Associated Press, Financial Times, Reuters, Agence France Presse, Factiva, Dow Jones, Sudan Vision Daily, MenaFm, Arabian Business, Magharebia, Kuwait Times, Bureau of Near Eastern Affairs US Department of State, African Economic Outlook and official government websites. Details are available from the author.

88. **Some labour-receiving countries took measures that effectively give more rights to expatriate workers, either directly or indirectly.** This is noteworthy as it is bound to increase the cost of employing expatriate workers, and such actions are usually avoided during recessions. However, this supports one of the key proposals of the present paper, that is, that reducing the segmentation between national workers and expatriate workers can achieve the double objective of moving towards decent work for expatriate workers and lower unemployment for nationals. For example:

- In Bahrain expatriate workers are given greater freedom to change jobs while measures are taken for: (a) closer supervision and more detailed inspection of labour recruitment agencies; (b) improving access (including a hot-line service) for complaints; (c) improved arbitration procedures for all migrant workers including domestic workers; (d) protection of wages; (e) eligibility for unemployment insurance when switching jobs; and (f) the fee for issuing work visas to expatriates was increased. These measures followed earlier legislation that prohibited work under hot sun from 12:00–16:00 hours during July and August.
- Self-sponsorship is also being contemplated for introduction in Kuwait.
- In Oman a ban on expatriate workers from certain professions may be relaxed given the effects of the crisis on the private sector.
- In Saudi Arabia, the government will facilitate the reintegration of non-Saudi workers who have lost their jobs in various sectors; a bill aims to improve the legal protection for the estimated 1.5 million domestic workers against long working hours (employers would be required to give domestic workers at least 9 hours of rest per day).
- Lebanon also introduced measures for the protection of domestic workers in the form of a unified contract and improved oversight of employment services.
- Anti-trafficking measures have been passed in Jordan (the Law to “Combat Trafficking in Human Beings” was passed in 2009) and new legislation providing increased protection to migrant domestic workers is being considered.

89. **At the same time, measures are being taken by labour-receiving countries to reduce the number of expatriate workers while labour-sending countries are trying to increase the protection of their citizens working abroad.** Kuwait plans to reduce the

number of expatriate workers in the public sector by half (from 15,000 to 8,000) over the course of the new five-year plan. Moreover, measures may be taken to deport around half a million foreign workers, about 15 per cent of the country’s population, who lack skills, are unemployed or are there illegally. In Saudi Arabia, the number of foreign workers is expected to decline more drastically: from nearly 9 million to only 2 million in the next eight years. However, Jordan is taking measures to protect Jordanian migrant workers and resolve the disputes they may face in the GCC, Libya and Egypt, including the decision of the Ministry of Labour to bear the legal costs if a worker loses the case and retrieve the legal costs, if the case is won.

90. **The level of minimum wages has been raised in a number of countries and some income protection schemes have been introduced, too.** Minimum wages increased in Jordan, Lebanon, Morocco and Tunisia. With respect to income protection, some forms of unemployment insurance/assistance have been expanded to new job seekers (Bahrain) or are likely to be introduced soon (Jordan and Syria). Support for income generating activities is being provided in Egypt, and more generally across the region through the measures introduced for SMEs. Finally, various forms of subsidies have been added or expanded, as in the case of Comoros, Mauritania and Yemen. Morocco has also introduced some housing subsidies.

91. **Finally, labour market programmes are also receiving attention. These include:**

- early retirement (in Tunisia) in the hope that this will release jobs to be taken up by the unemployed;
- support and subsidies for SMEs (in Bahrain, Egypt, Jordan, Morocco, Tunisia and the UAE);
- employment services that are already present in practically all regional economies, but have been expanded recently (Saudi Arabia);
- special measures for youth, including unemployed graduates, and more general attempts to expand training are to be introduced or expanded in most countries;
- job sharing (in Tunisia);
- measures for combating child labour (Egypt, Jordan, and Yemen), including cash transfers for staying in school (Lebanon).

92. **While most governments introduce measures that are expected to have an expansionary effect, some continue with their established programmes of liberalizing the economy.** Some such measures (for example, increases in taxes, as in Sudan, or the removal or reduction in the level of subsidies – as in Jordan, Syria and Yemen) may be seen as running against the objective of reducing the short-term costs of the global crisis. However, they can also help economies in the long run. What is relevant in this respect is whether governments also take complementary measures to cushion the costs of economic reforms and adjustments along with the additional costs expected to arise from the crisis. For example, Egypt plans to go ahead with regulatory reforms adopted in 2008 in the areas of tax law, tariff schedules and the economic courts law, but is also introducing various measures for supporting its employment and social assistance objectives. Jordan is also moving ahead with the reforms it has started in the areas of tourism, petroleum, taxation, insurance, export zones (QIZs), and so on. However, it has also introduced compensatory social protection measures to alleviate the social costs arising from the subsidy removal upon the more vulnerable segments of the population.
93. **While countries are trying to keep overall public spending constant, in some cases there are bound to be budgetary cuts: there have been delays in the start or implementation of some projects and others have been abandoned.** For example, Algeria is re-examining pending programmes and will possibly delay some of them. The government spending on infrastructure projects (including works and housing, electricity and water, transportation, civil aviation, customs, ports and free zones) in Bahrain sharply dropped in 2009 compared to 2008. In Djibouti the construction of an oil refinery pipeline and a second container terminal are at risk of being cancelled. In Iraq, the reconstruction budget for 2009 may drop from US\$18 billion to US\$12 billion, reducing the opportunities for job creating projects and jobs: the government is to impose a freeze on certain activities, including the recruitment of some 30,000 planned police and army personnel. Mauritania has already reduced capital expenditure and what is deemed to be non-essential spending. Public expenditure in Sudan was cut by half during the first quarter of 2009, and planned investment in infrastructure is unlikely to materialize in view of pressing current expenditure. Similarly, in Yemen the government has cut down its capital and current expenditure. Jordan's ability to increase public spending is limited in view of its high public debt and efforts are concentrated more on deploying capital expenditure more efficiently.
94. **Decreasing budgets or delaying projects is not just a characteristic of the lower-income economies in the region.** The development and maintenance budget in Kuwait may be reduced by 27 per cent. While oil-related investments are expected to be maintained in Libya, the growth in public expenditure is expected to slow sharply through delayed project implementation. In the UAE, more than 400 projects with a total value of over US\$300 billion have been suspended or cancelled.
95. **It is difficult to know the effects of the regional responses to the crisis on employment creation.** Many of the policies have just been announced and others are at an early stage of implementation. Some policies may be simply plans for the future and may not materialize. This also applies to the international experience. The Communication to G20 Leaders by the ILO Director-General (September 2009) states that "It is not clear how many jobs have been saved or created by the crisis response measures". However, according to a global survey soliciting crisis responses from 54 countries, the ILO estimated "on the basis of IMF calculations, that discretionary fiscal expansion together with automatic stabilizers will have created or saved in 2009 between 7 and 11 million jobs in the G20 countries" that is equivalent to "between 29 and 43 per cent of the total increase in unemployment in the G20 countries in the first half of 2009".⁵¹
96. **The Communication also lists the most common and least common measures the countries have taken so far.** The most common measures have been spending on: infrastructure; subsidies, tax reductions and credit for small enterprises; training; consultations with employers and workers organizations; and social protection measures through cash transfers. These measures correspond closely to the policy options outlined in the Global Jobs Pact. The least common measures have so far been: additional measures to fight labour trafficking and child labour; small enterprise access to public tenders; consultations at sectoral level; increased capacity for labour inspection; and protection of migrant workers.

⁵¹ ILO: *Protecting people, promoting Jobs: From crisis response to recovery and sustainable growth. Communication to G20 Leaders by ILO Director-General, Pittsburgh Summit, 24–25 September, 2009* (2009c).

97. **Though these measures are similar to those initiated (or announced) in the Arab region, regional policy responses appear to have been more reactive at times as an extension of existing policies instead of being based on a new approach that would cast the rescue measures in the context of the new realities of globalization.** It is too early to assess how many of the responses will prove to be adequate. In some cases the plans have been partial, focusing on only a few sectors. In other cases, they lack transparency as they have been designed by governments alone with minimum engagement from the private sector and workers' organizations. The effectiveness of the measures will depend on whether the policies are properly sequenced, coordinated and adequately funded. The issue with respect to sequencing is that many fiscal measures were taken before utilizing monetary policies.⁵² With respect to the coordination of developmental and rescue policies, the question is: to what extent should reform measures be continued as they were planned before the crisis? The issue of funding would require either finding additional resources or improving the existing distribution of public expenditure across competing sectors.
98. **Thus the challenge of employment creation remains.** Even before the adverse effects of the crisis, the region estimated that it would need to create 54 million jobs to absorb new job seekers by 2020.⁵³ Though more recent estimates suggest a somewhat lower number (51 million)⁵⁴ it has to be remembered that there are also another 14 million unemployed who should also be absorbed into the labour market sometime in the future. The real GDP growth rates required to overcome the employment challenge should, therefore, be comparable to those before the crisis, something that would require the average investment rate in the region to be maintained at around 20 per cent of GDP.⁵⁵

52 Saif, I. and Choucair, F.: *Arab Countries Stumble in the Face of Growing Economic Crisis*. (Carnegie Endowment for International Peace: Middle East Program. May 2009).

53 Tzannatos, Z.: *The Policy Environment for Job Creation in the Arab Economies* (2008).

54 Abu-Ismaïl, K. and Pournik, M.: *The Impact of the Global Financial Crisis on Arab States and Policy Reactions*. (UNDP Regional Center in Cairo, August 2009).

55 Tzannatos, Z.: *The Policy Environment for Job Creation in the Arab Economies* (2008).

Chapter 6: Policy recommendations

99. **The systemic impact of the crisis calls for systemic responses that would improve employability, increase employment and economic security, alleviate poverty and better manage labour flows, not only at the national, but also at the regional level.** Within the first three areas, policies, which seem to be most relevant for most Arab economies during the present times, relate to employment creation and income protection from unemployment, prevention of human capital loss during the crisis and a minimum level of social security for older men and women. These three measures are in line with the longer-term developmental objectives of decent employment and greater social protection. They are also relevant to a wide range of new paradigms that may be chosen by different governments. The fourth relates to the management of migration. All four are also relevant to the Global Jobs Pact (Text Box 3) as are some additional policies included below, after an explanation for their selection in the present paper.
100. **First, the demographic “pressure” is decreasing and can be seen as a demographic “window of opportunity”.** In fact, it is a blessing in two ways. First, the Arab countries have made important strides in education and skills development. Young entrants to the labour market can, therefore, make a significant contribution to raising productivity and economic growth, provided the development model is suitably adjusted in terms of macroeconomic management, industrial/trade policies and labour relations, policies and regulations that are conducive to creating more and better jobs. Second, the youthful composition of the population is bound to increase the number of potential workers versus pensioners in the economy. The lowering of the dependency ratio can allow governments to consolidate and expand their social insurance systems that are at present limited in coverage and, in most cases, unsustainable.
101. **Second, the move to a higher productivity/higher wage economy is feasible from a skills perspective.** Notwithstanding, the perennial need for continuous skills *development* (on the labour supply side), the binding constraint in the regional economies seems to be, at present, the low level of skills *utilization* (on the labour demand side). It is the low demand for skills that has created high and persistent educated unemployment and low productivity in the region. Both are the result of a combination of past economic policies, the dominance of government employment and a reliance on low-wage migrant labour. Overall, the big constraint regional economies face comes more from macroeconomic, trade and industrial policies rather than skill shortages *per se*. For example, many regional economies are characterized by high rates of skilled emigration, an indication that job seekers do possess productive skills, but these skills are not in demand in their own countries. Moreover, graduates face high unemployment rates and low wage premiums in their native countries, and this is another indicator that local demand for skills falls short of the corresponding local supply. As human capital development takes generations to grow, while economic policies can change more swiftly, the relative availability of young and educated people constitutes the strength of the regional economies.
102. **Third, the historically low female labour force participation rates are an additional potential advantage.** Young Arab women are already willing to, and actually do, enter the labour market in greater numbers than in the past and are in many cases equally, and in some cases, more educated than young Arab men. Women’s increasing labour force participation can, therefore, reinforce the effects of the demographic “blessing” and ease the move toward a high productivity/high wage economy, as mentioned in the previous two points. However, the costs of maternity can be an impediment to women’s employment as they are borne by employers alone. Incorporating maternity benefits into the broader social insurance system can, therefore, decrease the disincentive for private employers to hire women. It can also reduce the labour market duality between the private and public sectors that, in addition to increasing inequity between these two sectors, can also increase female unemployment by providing an incentive to female job seekers to wait for a job in the public sector.
103. **Fourth, the low coverage and inadequacy of social insurance, including the lack of unemployment insurance and collectively financed maternity benefits in the private sector, may create the necessary political consensus for increasing social protection.** Labour market and social protection reforms may prove to be the single most important challenge in the region and yet probably constitute the most difficult political constraint. One critical factor that may create space for reform is the crisis

Box 4: The ILO Global Jobs Pact

Faced with the prospect of a prolonged global increase in unemployment, poverty and inequality, and the continuing collapse of enterprises, the ILO adopted a Global Jobs Pact in June 2009. It is designed to guide national and international policies aimed at stimulating economic recovery, generating jobs and providing protection to working people and their families.

The adoption of the Global Jobs Pact followed strong support voiced during a three-day ILO Global Jobs Summit held in Geneva that debated the role of enterprise, employment policies, social protection, labour rights, social dialogue, development cooperation and regional coordination in addressing the jobs crisis.

It proposes a range of crisis-response measures that countries can adapt to their specific needs and situation and offers a portfolio of options based on successful examples, also designed to inform and support action at the multilateral level. It is the most urgent and wide-ranging response to an economic crisis ever adopted by the ILO during its 90 years of existence. The Pact is not about how much more governments can spend, but how they spend it.

It calls on governments and organizations representing workers and employers to work together to collectively tackle the global jobs crisis through policies in line with the ILO's Decent Work Agenda. It urges governments to consider options such as public infrastructure investment, special employment programmes, broadening of social protection and minimum wages. Particularly in developing countries, such measures can reduce poverty, increase demand and contribute to economic stability. Donor countries and multilateral agencies are called on to consider providing funding, including existing crisis resources for the implementation of the Pact's recommendations and policy options.

The Pact urges measures to retain persons in employment, to sustain enterprises and to accelerate employment creation and jobs recovery combined with social protection systems, in particular for the most vulnerable, integrating gender concerns on all measures.

It also calls for the construction of a "stronger, more globally consistent supervisory and regulatory framework for the financial sector, so that it serves the real economy, promotes sustainable enterprises and decent work and better protects the savings and pensions of people". It also urges cooperation to promote "efficient and well-regulated trade and markets that benefit all" and avoid protectionism. It further urges a shift to a low-carbon, environmentally-friendly economy that will help accelerate a jobs recovery.

The challenge is to translate the measures in and commitment to the Global Pact into measures at national level which generate real jobs, real incomes and contribute to economic recovery. This would require effective social dialogue and strong labour market institutions that are found only in varying degree in the Arab region.

Source: See also more extended presentation of the Global Jobs Pact in Annex 3 based on ILO (2009b).

itself: it may bring insecurity to more people than those who benefit under existing arrangements and, thus, create shared concerns which, in turn, could rally consensus and support for reforms among the different stakeholders.

104. **Finally, though migration is already being affected by the crisis, this impact is expected to be temporary, and migration can continue providing economic benefits to both the labour-sending and labour-receiving countries in the region provided its social cost is also addressed.** Inter-regional migration has provided a relief valve for the domestic labour markets of labour-sending countries, while providing productive labour at lower wages than those paid to nationals, in labour-receiving countries. Against the Arab employment share in global employment of less than 5 per cent, some 10 per cent of the world's remittance inflows are directed to the Middle East and North Africa region, and

nearly 20 per cent of them originate in the Gulf countries.⁵⁶ Thus, the new phase of globalization, which will follow the crisis, can be accompanied by new win-win policies that respect migrant workers' rights, provide adequate wages and working conditions, as well as ensuring fair competition for national workers in their own countries.

Four key labour and social policy areas for the Arab economies

1. Active labour market programmes

105. **Active labour market programmes in the region have limited outreach and impact. The crisis provides an opportunity to expand and strengthen them as inclusion mechanisms in times of crisis that can also serve for counter-cyclical purposes.** Within the category of active labour market programmes (ALMPs) fall measures such as labour-intensive public works (workfare), training and retraining,

⁵⁶ World Bank: *A long-term perspective of people and job mobility of the Middle East and North Africa*. (2009)

employment services, support for self-employment, credit for micro-enterprises, wage subsidies and so on. Practically all Arab countries have at least some of these programmes. The conditions and characteristics of such programmes are so diverse they cannot be discussed in the limited space of this paper. However, individual countries can expand or adjust them during the crisis or they can also introduce those they do not already have that are deemed to be promising.

106. Within the class of active labour market programmes, labour-intensive public works is perhaps the most appropriate form of support during the crisis. This involves working in a community project in return for cash or food. Such programmes are already in operation in Algeria, Egypt, Morocco, Tunisia and Yemen. In general, employment-intensive infrastructure projects can help put people back to work while building useful community infrastructure. A comparison of different fiscal crisis response measures has shown that employment-oriented measures have a significantly effective impact on employment creation than other fiscal measures such as hiring subsidies and lower direct and indirect taxation.⁵⁷

107. In the more populous Arab countries, where information failures are more likely, employment services can help the deployment of excess labour to sectors and areas with excess demand. In fact, unemployment insurance functions best if combined with employment services promoting a swift reintegration of the unemployed into the labour market. Employment services include job placement and training services that help in maintaining and upgrading job seekers' skills. Such measures also contribute to preventing job seekers from slipping into informal employment during economic crises.⁵⁸

2. Unemployment insurance

108. Unemployment insurance is generally lacking in the region yet, like all forms of properly designed social insurance, is welfare enhancing. Unemployment insurance serves the dual important social functions of employment flexibility, by easing resistance to economic restructuring, while

protecting the incomes and livelihoods of workers who are vulnerable to job losses. At present, only Algeria, Bahrain, Egypt, Jordan, Kuwait, Syria and Tunisia have, or are contemplating introducing some form of unemployment insurance. Nevertheless, in some of these countries unemployment benefits are not strictly speaking insurance (in Kuwait, unemployment benefits are more of a form of social assistance paid to first time job seekers). Unemployment schemes that are funded from mandated individual savings without a redistributive component are more of an *individual safety rope* and less of a *social safety net* (that pools risks across different groups of workers). The merits of the traditional unemployment insurance scheme versus that based on individual savings accounts can be debated and vary between space and time. However, the time is probably ripe for most Arab economies to introduce some form of unemployment insurance. If properly designed, it can have no adverse long-term fiscal effect on the government budget and can be initiated even during the crisis, as happened in the United States (1933) amidst the Great Depression and more recently in the Republic of Korea (1998) amidst the East Asian crisis.

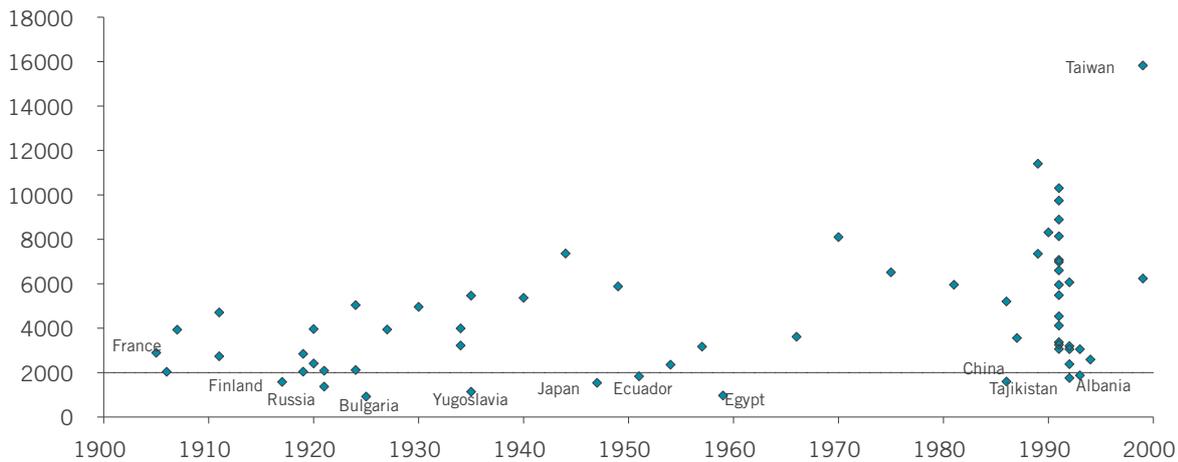
109. Unemployment insurance has a key role to play during economic crisis, as it also acts as an automatic stabilizer and is particularly relevant for middle-income economies. Automatic stabilizers are considered to be more effective than discretionary increases of fiscal expenditure during economic downturns.⁵⁹ Unemployment insurance is also appropriate for the region given, first, the regional volatility due to its dependency on oil and, second, the prevalence of middle-income countries in the Arab world. In fact, international experience suggests that countries start introducing unemployment insurance when they reach the threshold level of US\$2000 per person. Unemployment insurance was also introduced by many countries in response to the increasing insecurity that was brought about by globalization and economic transition in Central and Eastern Europe where many countries introduced unemployment insurance in the 1990s (Figure 9). Unemployment insurance can also, somewhat, compensate for the weakening of the informal social security mechanisms during the crisis, including the support provided to families and communities now subjected to the systemic shock of the crisis.

57 ILO: *Protecting people, promoting jobs: A survey of country employment and social protection policy responses to the global economic crisis. An ILO report to the G20 Leaders Summit, Pittsburgh, 24–25 September 2009* (2009d).

58 Behrendt, C., Haq, T., and Kamel, N.: *The impact of the financial and economic crisis on Arab States: Considerations on employment and social protection policy responses* (Beirut: ILO Regional Office for Arab States, 2009).

59 See IMF: *World Economic Outlook: Financial Stress, Downturns, and Recoveries*, p. 160–195 (Washington DC, 2008).

Figure 10: Year of enactment of UI and country per capita GDP in same year in constant US\$ in 2000



Source: Constructed from Janine Berg and Matthew Salerno (2008) *The Origins of Unemployment Insurance: Lessons for Developing Countries* in Janine Berg and David Kucera (eds.): *In Defence of Labour Market Institutions: Cultivating Justice in the Developing World*. (Houndmills, Basingstoke, ILO and Palgrave Macmillan).

3. Cash transfers:

3a. Education and child labour

110. **Along with more rigorous enforcement of the relevant labour legislation and appropriate education policies, cash transfers are known to play a significant role in reducing child labour and keeping children in school during crises.** Cash transfers to poor families with children serve the dual objective of augmenting human capital during normal times and preventing its depletion during crises as well as promoting the fundamental rights of children to a productive and more secure life. Though not as prevalent as in other world regions, child labour does exist and is significant in some Arab countries. Cash transfers paid to poor families for enrolling and keeping their children in schools were practically unknown two decades ago but, following successful examples in many (mainly Latin America) countries, they have now been introduced not only in more than 20 developing countries (including Yemen), but also in high-income ones (like the United States)⁶⁰. Moreover, the use of cash transfers in the area of child labour and education proved useful during the East Asian crisis whereby these transfers halted the withdrawal of children from school and prevented child labour from increasing. As in the case of unemployment insurance, cash transfers that change the education/child labour choices of families can

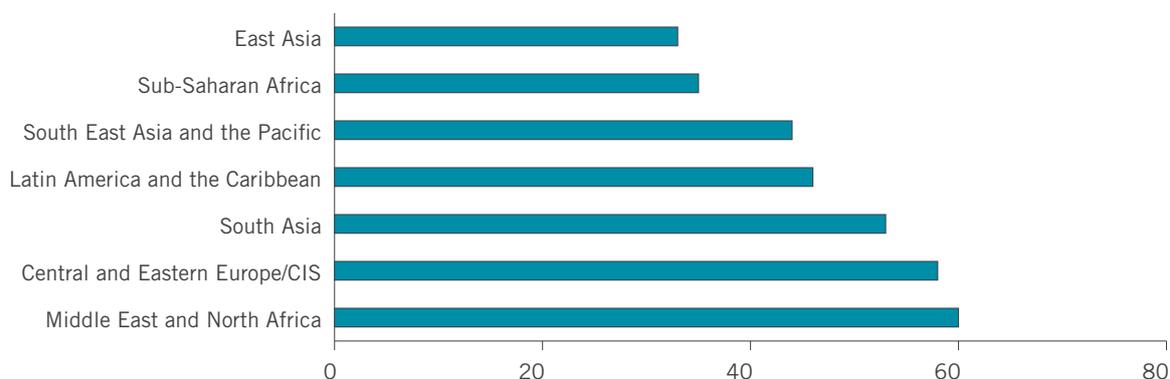
be introduced during crises and also become part of the core development policies, especially of the lower-income Arab countries.

111. **Trying to keep children and youth longer in schools is particularly relevant for the Arab region which has the highest rate of out-of-school and out-of-work youth.** Education improves labour market outcomes in two ways: it does so for the less privileged at the micro level, and raises productivity at the macro level. Despite impressive improvements in education indicators over time and near universal enrolments in primary education in most countries in the region, the percentage of young people who are both out-of-school and out-of-work is higher in the Arab region than in any other developing region (Figure 11). The out-of-school youth are also those most likely to come from underprivileged backgrounds.

112. **In fact, cash transfers have been on the agenda in some countries for some time now.** Social assistance targeting mechanisms have recently been introduced, or are currently being considered, in Jordan, Lebanon, the occupied Palestinian territory, Syria and Yemen. Targeting mechanisms under consideration include, geographic targeting (in the larger and more diverse regional economies) and “proxy means tests”, which use, in the absence of information on household incomes, a composite index that can be used to evaluate a household’s welfare position by taking into account family size, housing conditions, and so on.

60 Tzannatos, Z., 2009. “Policy Options to Eradicate Child Labour and Promote Education in Latin America” in Orazem et al. (eds.) 2009. *Child Labor and Education in Latin America: An Economic Perspective*. Palgrave Macmillan.

Figure 11: Youth inactivity rate highest in MENA, 2005
(percentage of youth not in school and not in the labour force)



Source: Constructed from Tzannatos 2008

3b. Social pensions

113. **Another form of cash transfer is social (not-contributory) pensions that can be introduced and complement the regional social security systems currently offering limited coverage.** The low coverage of formal social security systems, which is mainly confined to the public sector, military and formal private sector workers, can be opened up to include the self-employed and own-account workers and, in particular, be supplemented by the introduction of non-contributory basic old age pensions. Such social pensions would guarantee at least a minimum standard of living to those who are poor and have reached old age without, or without adequate, contributions to qualify for a formal pension. As in the case of cash transfers for children staying on in schools, social pensions are increasingly introduced in developing countries with overall beneficial social effects, no effective adverse impact on labour supply and relatively low fiscal impact. Opening social insurance schemes for the self-employed and own-account workers, and considering the introduction of non-contributory basic old age and disability pensions, would guarantee at least a minimum standard of living to older and disabled people.⁶¹

4. International labour migration policies⁶²

114. **Immigration policies allowing access to abundant low-wage foreign labour result in labour market segmentation and in unemployment among na-**

61 ILO: *World of Work Report 2008: Income Inequalities in the Age of Financial Globalization*. (Geneva: 2008a.)

62 See also companion paper *Sustainable enterprise development and employment creation in the Arab region: A review of issues*. Paper presented at the Arab Employment Forum, Beirut, 19-21 October, 2009 (ILO, 2009i).

tional workers. This policy approach is prevalent in GCC countries. However, access to abundant labour is also witnessed in other Arab countries due to undocumented or irregular immigration, or simply historical cross-border arrangements. Even for the relatively high-skilled jobs, the GCC approach to immigration has kept unemployment among nationals on an upward trend that has not been halted, even in those countries implementing rigorously various supplementary administrative policies. In the end, these administrative measures (from mandatory employment quotas to the vocationalization of education for nationals) create a vicious circle. Employers have been able to bypass administrative requirements, such as quotas, which they treat as a tax, leaving their employment preferences untouched. Nationals under-invest in education knowing their citizenship confers an employment right on them or, when willing to study, they prefer privately funded general education to the free public vocational education, which continues to expand in the false belief that what youth lacks is skills. The problem with open immigration, as currently practiced, is on the incentive side, both of employers and job seekers, not necessarily on the lack of skills. If this model is amended, there will be no differential treatment between national workers and expatriate workers, the duality of the labour market will be eliminated, and the economy can start moving towards high productivity given the pressure generated from rising wages for national workers. This process cannot take place overnight nor is it the only measure to be contemplated for improving the outcome of migration. For example, it is also important to increase the links of migrant workers to their own countries and make social security benefits transferable between

the sending and receiving countries. However, the crisis, and the associated loss of many jobs held by expatriates, could serve as the starting point for labour-receiving countries to address the segmentation in their labour markets, start reducing their national/expatriate duality and national unemployment, provided, on the one hand, employers could be induced to employ higher productivity techniques, enabling them to pay higher wages and, on the other hand, nationals would be willing to be employed in jobs requiring more effort, but at more rewarding wages.

115. **Designing appropriate migration policies can be of great benefit to both labour-receiving and labour-sending countries.** One way benefits accrue to labour-receiving countries is through the over-qualification and under-payment of migrant workers. Even in the United States, comparisons between high-skilled migrant workers and their native-born counterparts show that over-education is widespread, in the sense that migrants are more educated but have lower earnings compared to national workers: this appears across all occupations and high-skilled educational levels.⁶³ The ways labour-sending countries benefit from migration are many (see previous discussion in Chapter 3) and, additionally, remittances seem to be more stable than other forms of financing. For example, the responsiveness (elasticity) of remittances to changes in the price of oil is inelastic, around 0.4.⁶⁴

Additional measures and new approaches to labour policies

116. **In addition to the four measures mentioned above, the crisis presents an opportunity for developing new approaches to labour and broader social issues and for re-examining the conventional labour market paradigm.** Most of the policies highlighted below have small or no fiscal implications as they refer to institutional improvements or the development of better statistical systems. Such improvements can have far reaching systemic effects on the labour market and social protection. Some of the likely effects include better functioning markets under well-designed regulations and programmes, the creation of additional skills, greater and better utilization of women workers (including

⁶³ This effect declines after around 20 years of residence. Although schooling serves as a pathway to occupational attainment, earnings appear to be more closely linked to a worker's occupation than to the individual's level of schooling. See Chiswick, B.R. and P.W. Miller: *Educational Mismatch: Are High-Skilled Immigrants Really Working at High-Skilled Jobs and the Price They Pay If They Aren't*. IZA Discussion Paper No. 4280 (2009).

⁶⁴ Naufal, G.S. and A.A. Termos: *The Responsiveness of Remittances to the Oil Price: The Case of the GCC*. IZA Discussion Paper No. 4277 (2009).

improved maternity protection), lower youth and overall unemployment and more effective social protection.

1. Expanded role of ministries of labour

117. **First, the capacity of labour ministries should be strengthened to promote and monitor the centrality of employment in the broader economic policy setting, include employment generation as a key objective in the national development plans and support policy coherence across line ministries for better employment outcomes.** The objective to create different national development models cannot be achieved without changing the effective roles and responsibilities of key actors. Labour ministries are key potential actors in this respect, in that they stand at the crossroad between the product markets and the labour market, thus affecting economic and social outcomes. Yet, in most countries, not only Arab, the ministry of labour is seen narrowly as the agency responsible for reducing unemployment – though unemployment primarily derives from the macroeconomic, industrial, agricultural, housing, education, immigration policies pursued by others. Labour and social outcomes should be at the centre of policy-making and guide the level and composition of public expenditure, not an addendum after other priorities have been determined.

2. Improved social dialogue

118. **Second, economic and labour policies and the development of a new development paradigm should be decided after consultation with the social partners.** Some Arab countries have established consultative processes, but their effectiveness is limited. For example, in some countries economic and social councils do not meet regularly, if at all, for many years, or the outcomes of their deliberations are, at times, ignored when it comes to policy decisions. Trade unions (where they are allowed) operate in an industrial relations vacuum as far as collective bargaining and dispute resolution systems are concerned. Most Arab countries are almost devoid of mechanisms that improve the quality of social dialogue and the acceptability of reforms. Social consensus for labour and social protection reforms is known to be a prerequisite for successfully pursuing reforms such as those envisaged to be required during the course of the global crisis.

3. Development of new paradigms

119. **Third, the enhanced role of labour ministries and increased engagement of social partners should be used to develop alternative national developmental models that promote productive and decent employment and economic growth.**

As already mentioned, recent government responses to the crisis vary significantly in size and composition between the Arab economies. Some have increased public sector salaries or minimum wages in the private sector, while others have frozen them or have not prevented them from losing their real value. Some have expanded or introduced active labour market programmes or social protection measures, while others have not. Despite these differences, the Arab economies face a common and main challenge: how to adapt or replace the historic economic model with its reliance on rather undiversified exports, on government employment, an emphasis on reducing hiring and firing costs in the private sector and a small, but expensive social protection system. This calls for innovative approaches towards the development of a new social contract based on viewing labour reforms more as a public good than the concern of employers alone or individual workers. Such an approach can usefully consider the following elements:

- Greater diversification, not only of exports, but also of the markets to which the Arab economies export, with parallel improvement in the human development area. This will require, among others, a move to higher value-added products instead of focusing on primary or unrefined exports. Such a move would not only increase the incentives of individuals to pursue a higher quality of education and training, but would also increase the demand for skills through expanding domestic opportunities for investment, providing a more conducive business environment, fostering private sector development, and exploiting partnerships between the public and private sectors.
- Moving away from a social protection system based on individual safety “ropes” towards universal and sustainable social protection. This can, in turn, enable individuals and families to spend more (by reducing individual precautionary savings). It would also reduce the resistance to loss or change of a particular job, and thus increase both labour mobility and flexibility, as this would not imply loss of livelihood.
- Introducing appropriate regulations in cases where their absence has been shown to have

negative effects, for example, from financial markets to immigration. Particularly in the case of immigration, expatriate workers are largely unprotected and national workers are disproportionately unemployed.

120. **It is important that the development of new paradigms is evidence based, therefore, the countries in the region should pay more attention to statistical requirements for the design, implementation, monitoring and evaluation, not only of crisis-related policies, but also events during the ordinary course of development.** It goes without saying that unless reliable and timely information exists, even the design of policies and programmes may be inappropriate. And, even if the design is initially appropriate, it is never sure that the desired goal corresponds to the reality. For example, a wage subsidy programme may create employment for its beneficiaries at the expense of unsubsidized workers and, thus, create negligible incremental employment. Monitoring and evaluation and, as needed, adaptation and even abandonment of programmes and the introduction of new ones is an integral part of successful development processes. However, it is generally acknowledged that the Arab countries lack effective national labour market information systems. This also affects the quality and comparability of regional statistics.

The long-term agenda

121. **The gains in the Arab labour markets in the last decades need to be preserved during the crisis while addressing pre-existing structural problems.** Thus, the crisis should not divert attention from the long-term agenda driven by the requirements of fast expanding and increasingly demanding Arab populations. If the economic effects of the crisis are not contained, then the region may also face social and political crises. The crisis may be a setback to some of the recent progress made and could also accentuate the pressures on governments, as well as tensions between citizens differently affected by it. Notwithstanding recent employment gains and reduction in poverty, the gains have had little time to develop deeper roots given the shortness of the regional economies revival started only around 2000. Where reforms have been initiated, they are at the early stages of implementation and where only conceptualized, still need to be designed. In both cases they run the risk of stalling or even being reversed under political pressure, including the possibility of increased protectionism. Either way, many structural

economic social vulnerabilities remain and, if the global recession proves to be a prolonged and deep one, that would make the response to the crisis challenging.

122. **What was considered to be a strength during the recent revival can turn into a weakness now: the swift employment increases due to output growth in the last decade may turn into equally quick employment losses in the case of a recession.** Unless rescue packages are introduced and become effective quickly, the pre-crisis reduction in unemployment may prove to be ephemeral given the continuing population growth and rising female labour force participation. Moreover, though the region has relatively low poverty rates at US\$1 per day, this escalates fast when the poverty line is set at US\$2 per day, probably a more appropriate poverty measure for most Arab economies. Despite recent gains, enrolment rates in education can increase further, learning outcomes can improve, and the impact of education on regional employment and productivity can become more obvious. Formal social safety nets are still weak and reach only a few and not always those most in need. Social insurance is generous in some sense, but with limited coverage and, in many countries, faces the challenge of financial sustainability.
123. **Not all problems can be addressed at the same time, especially since they were not solved during periods of economic boom, but priorities can be set according to their economy-wide social impact and affordability.** Such policies include improving the productive capacity of workers, making better use of all workers (including women), providing social security, and better managing the labour flows within and in and out of the country. It is with this considerations in mind that the suggestions of this paper for addressing the short-term effects of the crisis have been selected and, therefore, constitute a bottom-up approach to achieving longer-term objectives. For example, unemployment insurance, social pensions and cash transfers can become part of an integrated social protection system that is currently lacking. Immigration policies, which respect the right to employment of nationals and the fundamental rights of expatriate workers, can form the basis of a more comprehensive approach to migration that will include the transferability of pensions and other entitlements of migrants between different Arab countries. Expanding the role of labour ministries and social partners can lead to greater social consensus, better policies and sustainable economic and social outcomes.

The sequencing and specific characteristics of the proposed agenda is, of course, a matter of national policy.

124. **The proposals put forward in this paper may require the replacement of inefficient measures in favour of more effective social security programmes.** To the extent that the new measures may create winners and losers, the success of reforms would depend on building national consensus through social dialogue and ensuring the majority of the population benefits from them. They could include the reform and extension of existing social insurance programmes to larger groups of the population, the strengthening of minimum benefit guarantees and the introduction of indexation mechanisms. Coupled with non-contributory benefit guarantees, for example, in the form of universal basic old age and disability pensions, and access to (at least) essential health services, such a set of programmes would provide for a decent basic level of social security for all, and higher levels of social security for those with sufficient contributory capacity. Similarly, cash transfers for children are found to be potent measures of providing quick support based on desirable outcomes where a sufficient level and quality of social services is available.⁶⁵ For example, such a transfer could be granted on the condition that a family sends their children to school and the children progress to the next grade (ILO 2009, 48–51).
125. **Greater regional cooperation can also help.** The role of governments to address the impact of the crisis in their own countries cannot be overrated, but this may not be enough due to the interdependence existing between countries. It is now widely acknowledged that greater international country cooperation would be required, as well as support from the international organizations. There is now an increasing recognition of the importance of multilateralism; the UN has set up a commission of experts to put forward proposals for reforming the international monetary and financial system; both the IMF and the World Bank are currently looking into their governance structures to increase their effectiveness; and, the ILO through the Global Jobs Pact that cuts across financial, economic, labour and social areas, is entrusted to guide national and international policies aimed at stimulating economic recovery, generating jobs and providing protection to working people and

65 Orazem, P., Sedlacek, G. and Tzannatos, Z. (eds.): *Child Labor and Education in Latin America: An Economic Perspective* (Palgrave Macmillan, 2009).

their families. Arab countries should benefit from such efforts, but also try to increase their internal cooperation. But, unlike other economic regional blocks, the Arab world is only in part connected by geography that spans from the Gulf to the Atlantic Ocean, includes sub-Saharan Africa and the Mediterranean countries (and some Mediterranean countries are in the Levant/Mashreq and some in North Africa/Maghreb). However, historical, linguistic and cultural ties do exist among the Arab world countries and can provide an impetus in addition to any common neighbourhood concerns. Exploiting commonalities remains a weak link in regional cooperation attempts. This can perhaps be seen as a first step to be taken in the process of the ultimate integration of the Arab economies into the *new* globalized world that will hopefully emerge after the crisis.

Statistical Appendix

Regional tables

Table A1: Demographic trends

	Total population (millions)			Annual population growth rate (%)		Population under age 15 (% of total)		Working age population (millions)		Population aged 65 and older (% of total)		Total fertility rate (births per woman)	
	1975	2005	2015	1975-2005	2005-2015	2005	2015	2008*	2015	2005	2015	1970-1975	2000-2005
World	4076.1	6514.8	7295.1	1.6	1.1	28.3	26.0	4991.5	4792.9	7.3	8.3	4.5	2.6
OECD	928.0	1172.6	1237.3	0.8	0.5	19.4	17.8	783.3	817.9	13.8	16.1	2.6	1.7
Central and Eastern Europe & CIS	366.6	405.2	398.6	0.3	-0.2	18.1	17.4	306.8	277.8	12.8	12.9	2.5	1.5
East Asia and the Pacific	1312.3	1960.6	2111.2	1.3	0.7	23.8	20.6	1354.8	1490.5	7.1	8.8	5.0	1.9
Latin America and the Caribbean	323.9	556.6	626.5	1.8	1.2	29.8	26.3	419.0	413.5	6.3	7.7	5.0	2.5
Sub-Saharan Africa	314.1	722.7	913.2	2.8	2.3	43.6	41.7	448.3	503.2	3.1	3.2	6.8	5.5
Arab states	144.4	313.9	380.4	2.6	1.9	35.2	32.1	228.5	241.6	3.9	4.4	6.7	3.6

* Data for OECD and East Asia and the Pacific are for 2005.

Source: UNDP, HDR 2007/2008, Table 5:243-246.

Table A2: Total working age population, labour force and labour force participation rate

	Working age population ('000)			Labour force ('000)		Labour force participation rate (%)	
	1998	2008	Change between 1998-2008	1998	2008	1998	2008
World	4,170,917	4,991,468	19.7	2,707,394	3,198,794	64.9	64.1
Developed Economies and EU	810,056	883,267	9.0	475,634	509,945	58.7	57.7
Central & South Eastern Europe (non-EU) & CIS	284,814	306,797	7.7	168,468	178,517	59.2	58.2
Asia & the Pacific*	2,136,311	2,586,180	21.1	1,485,421	1,743,238	69.5	67.4
Latin America & the Caribbean	344,993	418,967	21.4	215,594	273,400	62.5	65.3
Sub-Saharan Africa	339,585	448,349	32.0	239,121	317,258	70.4	70.8
Arab Region	170,156	228,453	34.3	85,315	116,357	50.1	50.9
North Africa	108,482	140,792	29.8	53,983	71,246	49.8	50.6
Middle East	98,489	136,346	38.4	49,040	70,153	49.8	51.5

* Data for Asia & the Pacific are for 1997 and 2007.

Source: ILO, Trends Econometric Models, September 2009.

Table A3: Labour force levels and growth, regional world shares of the labour force and participation rates

	Total labour force ('000s)		Rate of annual growth (%)		Share of world labour force (%)		Labour force participation rate (%)	
	1980	2005*	1980-2005*	2005	1980	2005	1980	2005*
World (000's)	1,929,563	3,198,794	1.8	100.0	100.0	100.0	..	64.1
Developed Europe	178,947	217,941	0.8	9.3	7.1	56.9	56.4	56.4
Developed non-Europe	195,792	261,853	1.2	10.1	8.6	63.4	64.3	64.3
CEE and CIS	195,263	194,782	-0.0	10.1	6.4	67.9	58.8	58.8
East and South-East Asia	684,603	1,096,269	1.9	35.5	35.9	76.5	73.9	73.9
South Asia	342,285	644,198	2.3	17.7	19.4	63.0	59.4	59.4
Central America and the Caribbean	39,198	77,141	2.7	2.0	2.5	57.2	60.4	60.4
South America	86,158	180,002	3.0	4.5	5.9	57.5	67.9	67.9
Sub-Saharan Africa	157,952	317,258	2.5	8.2	10.2	74.8	70.8	70.8
Middle East and North Africa	49,366	121,984	3.7	2.6	4.0	48.5	53.7	53.7

* Data for World, Sub-Saharan Africa and South Asia are for 2008 (Trends Econometric Models, September 2009). The rate of annual growth is adjusted accordingly.

Source: Kapsos, S. World and Regional Trends in Labour Force Participation: Methodologies and Key Results. From ILO, Employment Trends Unit.

Table A4: Employment and employment-to-population ratios (overall and youth)

	Overall						Youth					
	Employment ('000s)		Emp. to pop. ratio (%)		Employment Change between		Employment ('000s)		Emp. to pop. ratio (%)		Employment Change between	
	1998	2008	1998	2008	1998-2008	1998	2008	1998	2008	1998-2008	1998-2008	
World	2,537,229	3,010,467	60.8	60.3	18.7	519,059	557,941	47.6	44.6	7.5	7.5	
Developed Economies and EU	441,855	479,080	54.5	54.2	8.4	59,467	56,555	45.8	43.9	-4.9	-4.9	
Central & South Eastern Europe (non-EU) & CIS	147,962	162,539	52.0	53.0	9.9	21,387	21,427	34.7	33.3	0.2	0.2	
Asia & the Pacific*	1,433,833	1,668,542	67.1	64.5	16.4	308,832	302,776	53.9	46.4	-2.0	-2.0	
Latin America & the Caribbean	197,439	253,613	57.2	60.5	28.5	45,931	47,343	46.6	45.2	3.1	3.1	
Sub-Saharan Africa	220,622	293,067	65.0	65.4	32.8	61,451	79,281	51.0	50.1	29.0	29.0	
Arab Region	75,745	105,119	44.5	46.0	38.8	16,095	18,850	28.3	26.8	17.1	17.1	
North Africa	47,076	64,136	43.4	45.6	36.2	9,861	11,218	27.5	26.3	13.8	13.8	
Middle East	44,440	63,841	45.1	46.8	43.7	9,987	12,842	29.2	30.0	28.6	28.6	

*Data for Asia & the Pacific are for 1997, 2007.

Source: ILO, Trends Econometric Models, September 2009.

Table A5: Employment shares by sector and status

	Employment shares						Employment by status							
	Agriculture (%)		Industry (%)		Services (%)		Wage and salaried workers (%)		Employers (%)		Own-account workers (%)		Contributing family workers (%)	
	1998	2008	1998	2008	1998	2008	1998	2008	1998	2008	1998	2008	1998	2008
World	41.6	34.5	20.0	21.6	38.4	43.8	44.0	48.0	2.9	2.5	32.1	33.0	21.0	16.5
Developed Economies and EU	5.8	3.7	28.0	24.9	66.2	71.4	84.4	86.2	4.4	3.9	9.0	8.5	2.3	1.4
Central & South Eastern Europe (non-EU) & CIS	27.3	18.5	27.1	25.7	45.7	55.9	76.6	78.4	2.4	2.4	11.8	14.1	9.2	5.1
Asia & the Pacific*	56.0	40.6	21.2	20.9	22.9	38.4	28.2	34.3	1.9	1.6	39.8	41.8	30.1	22.3
Latin America & the Caribbean	22.1	17.4	20.1	19.9	57.8	62.6	61.8	63.5	4.2	5.1	27.6	25.5	6.4	5.9
Sub-Saharan Africa	66.7	61.0	7.9	8.9	25.4	30.2	18.1	24.7	1.6	1.6	48.5	44.3	31.9	29.4
Arab Region	33.0	27.8	19.1	22.8	47.9	49.5	49.4	58.3	6.9	6.6	23.0	18.5	20.7	16.5
North Africa	36.9	33.2	18.9	22.6	44.3	44.1	45.6	54.1	8.8	8.5	18.9	15.3	26.7	22.1
Middle East	22.4	17.8	25.6	28.1	52.0	54.1	50.3	62.0	4.4	4.9	33.1	24.3	12.2	8.8

* Data for Asia & the Pacific are for 1997, 2007.

Source: ILO, Trends Econometric Models, September 2009.

Table A6: Shares of persons with wage or salary employment status in the labour market, circa 2008

	Total			Men		Women	
	Share of employed (%)	Share of working-age population (%)	Share of employed (%)	Share of working-age population (%)	Share of employed (%)	Share of working-age population (%)	
World	46.9	26.5	47.4	33.0	46.0	20.1	
Developed Economies	84.3	46.6	81.7	51.8	87.5	41.6	
Central and Southeastern Europe and CIS*	76.6	41.5	75.4	48.0	78.0	35.7	
East Asia	42.6	23.3	46.0	28.9	38.3	17.6	
Latin America and the Caribbean	62.7	38.6	60.6	46.1	65.8	31.8	
Sub-Saharan Africa	22.9	13.8	29.2	20.5	14.4	7.4	
North Africa	58.3	24.4	58.8	38.5	56.7	10.5	
Middle East	61.5	29.0	64.4	41.6	53.5	15.0	

* Does not include members of the European Union. CIS: Commonwealth of independent states.

Source: Calculations based on ILO, using 2006 estimates for status of employment for ratio of employment to population.

Table A7: Unemployment and unemployment rates

	Overall				Youth			
	Unemployment ('000s)		Unemployment rates (%)		Unemployment ('000s)		Unemployment rates (%)	
	1998	2008	1998	2008	1998	2008	1998	2008
World	170,165	188,326	6.3	5.9	64,810	69,194	12.3	12.3
Developed Economies and EU	33,779	30,865	7.1	6.1	9,591	8,532	13.9	13.1
Central & South Eastern Europe (non-EU) & CIS	20,506	15,978	12.2	9.0	6,236	4,857	22.6	18.5
Asia & the Pacific *	51,588	74,696	3.5	4.3	25,107	33,669	7.5	10.0
Latin America & the Caribbean	18,155	19,787	8.4	7.2	8,534	8,499	15.7	15.2
Sub-Saharan Africa	18,499	24,191	7.7	7.6	8,215	10,139	11.8	11.3
Arab Region	9,570	11,238	11.2	9.7	4,877	5,362	23.3	22.1
North Africa	6,908	7,111	12.8	10.0	3,545	3,613	26.4	24.4
Middle East	4,600	6,312	9.4	9.0	2,415	2,972	19.5	18.8

* Data for Asia & the Pacific are for 1997, 2007.

Source: ILO, Trends Econometric Models, September 2009.

Table A8: Youth unemployment rates, 1998-2008

	Total (%)			Male (%)		Female (%)	
	1998	2008	2008	1998	2008	1998	2008
	World	12.3	12.3	12.2	12.1	12.5	12.7	12.7
Developed Economies and EU	13.9	13.1	13.8	13.9	14.0	12.2	12.2
Central & South Eastern Europe (non-EU) & CIS	22.6	18.5	22.2	18.1	23.1	19.1	19.1
South Asia	9.0	10.1	9.0	9.7	9.1	11.0	11.0
South-East Asia & the Pacific	12.7	16.0	12.4	15.1	13.1	17.2	17.2
East Asia	9.5	9.1	11.2	10.8	7.8	7.6	7.6
Latin America & the Caribbean	15.7	15.2	12.8	12.1	20.3	19.8	19.8
Sub-Saharan Africa	11.8	11.3	11.2	10.9	12.5	11.8	11.8
Arab region	23.3	22.1	21.3	19.5	28.4	28.2	28.2
North Africa	26.4	24.4	23.9	20.6	32.2	31.6	31.6
Middle East	19.5	18.8	17.5	16.7	25.2	23.8	23.8

Source: Global Employment Trends For Youth; ILO, 2008.

Table A9: Regional and world remittances - inflows (Current US\$ million)

	1970-74	1975-79	1980-84	1985-89	1990-94	1995-99	2000-04	2005-08
High income OECD	2,229	10,814	16,331	24,092	37,727	45,861	55,769	83,762
High income non-OECD	163	266	525	713	1,560	1,735	2,720	5,672
High income	2,392	11,080	16,856	24,805	39,287	47,597	58,489	89,434
All developing countries	819	7,814	19,523	22,098	39,779	67,702	119,809	258,760
Low-income countries	41	399	1,068	1,421	2,967	4,218	9,776	22,832
Middle-income	778	7,415	18,455	20,677	36,812	63,484	110,033	235,928
Lower MICs	198	5,291	13,968	14,733	22,158	38,994	68,454	148,432
Upper MICs	580	2,124	4,487	5,943	14,654	24,490	41,579	87,496
East Asia and Pacific (EAP)	8	636	2,096	2,598	4,794	12,796	28,184	60,786
Europe and Central Asia (ECA)	1,426	1,191	2,004	2,042	4,114	10,110	14,401	43,877
Middle-East and North Africa (MENA)	249	2,918	6,209	6,672	13,852	12,899	17,231	29,312
South Asia (SA)	167	1,845	5,703	5,679	6,749	13,058	23,916	50,468
Latin America and Caribbean (LAC)	68	617	2,150	3,610	8,123	14,931	30,415	59,223
Sub-Saharan Africa	42	607	1,360	1,497	2,148	3,908	5,661	15,095
World	3,211	18,894	36,379	46,903	79,066	115,299	178,298	348,194

Note: Data unavailable for: ECA, 1970-73. Some aggregates misrepresentative as there are missing country data.

Source: World Bank staff estimates based on the International Monetary Fund's Balance of Payments Statistics Yearbook 2008.

Table A10: Regional shares of world remittances - inflows (%)

	1970-74	1975-79	1980-84	1985-89	1990-94	1995-99	2000-04	2005-08
High income OECD	69.4	57.2	44.9	51.4	47.7	39.8	31.3	24.1
High income non-OECD	5.1	1.4	1.4	1.5	2.0	1.5	1.5	1.6
High income	74.5	58.6	46.3	52.9	49.7	41.3	32.8	25.7
All developing countries	25.5	41.4	53.7	47.1	50.3	58.7	67.2	74.3
Low-income countries	1.3	2.1	2.9	3.0	3.8	3.7	5.5	6.6
Middle-income	24.2	39.2	50.7	44.1	46.6	55.1	61.7	67.8
Lower MICs	6.2	28.0	38.4	31.4	28.0	33.8	38.4	42.6
Upper MICs	18.1	11.2	12.3	12.7	18.5	21.2	23.3	25.1
East Asia and Pacific (EAP)	0.2	3.4	5.8	5.5	6.1	11.1	15.8	17.5
Europe and Central Asia (ECA)	44.4	6.3	5.5	4.4	5.2	8.8	8.1	12.6
Middle-East and North Africa (MENA)	7.7	15.4	17.1	14.2	17.5	11.2	9.7	8.4
South Asia (SA)	5.2	9.8	15.7	12.1	8.5	11.3	13.4	14.5
Latin America and Caribbean (LAC)	2.1	3.3	5.9	7.7	10.3	13.0	17.1	17.0
Sub-Saharan Africa	1.3	3.2	3.7	3.2	2.7	3.4	3.2	4.3
World	100	100	100	100	100	100	100	100

Note: Data unavailable for: ECA, 1970-73. Some aggregates misrepresentative as there are missing country data.

Source: World Bank staff estimates based on the International Monetary Fund's Balance of Payments Statistics Yearbook 2008.

Table A11: Regional and world remittances - outflows (Current US\$ million)

	1970-74	1975-79	1980-84	1985-89	1990-94	1995-99	2000-04	2005-08
High income OECD	4,021	12,462	20,098	30,771	53,920	69,937	93,039	153,101
High income non-OECD	312	2,967	7,302	9,431	17,915	21,484	23,322	29,081
High income	4,333	15,429	27,400	40,202	71,836	91,421	116,361	182,182
All developing countries	496	2,895	5,590	4,362	5,791	10,644	18,328	48,804
Low-income countries	23	316	524	581	653	555	1,116	2,022
Middle-income	473	2,580	5,066	3,780	5,138	10,089	17,211	46,782
Lower MICs	..	808	1,585	1,451	1,386	2,047	4,808	11,122
Upper MICs	473	1,771	3,481	2,330	3,752	8,042	12,404	35,660
East Asia and Pacific (EAP)	5	56	131	276	415	2,155	4,602	11,918
Europe and Central Asia (ECA)	..	..	..	..	813	4,039	4,422	22,183
Middle-East and North Africa (MENA)	..	713	1,891	857	743	689	3,298	5,892
South Asia (SA)	..	23	28	71	189	313	1,342	1,965
Latin America and Caribbean (LAC)	119	517	855	689	1,222	1,365	2,031	3,247
Sub-Saharan Africa	376	1,591	2,685	2,468	2,409	2,083	2,632	3,600
World	4,828	18,324	32,990	44,564	77,627	102,066	134,689	230,986

Note: Data unavailable for Lower MICs: 1970-74; ECA: 1970-73; EAP: 1970-73; MENA: 1970-74; SA: 1970-75. Some regional aggregates may not be representative as there are missing country data.

Source: World Bank staff estimates based on the International Monetary Fund's Balance of Payments Statistics Yearbook 2008.

Table A12: Regional shares of world remittances - outflows (%)

	1970-74	1975-79	1980-84	1985-89	1990-94	1995-99	2000-04	2005-08
High income OECD	83.3	68.0	60.9	69.1	69.5	68.5	69.1	66.3
High income non-OECD	6.5	16.2	22.1	21.2	23.1	21.0	17.3	12.6
High income	89.7	84.2	83.1	90.2	92.5	89.6	86.4	78.9
All developing countries	10.3	15.8	16.9	9.8	7.5	10.4	13.6	21.1
Low-income countries	0.5	1.7	1.6	1.3	0.8	0.5	0.8	0.9
Middle-income	9.8	14.1	15.4	8.5	6.6	9.9	12.8	20.3
Lower MICs	..	4.4	4.8	3.3	1.8	2.0	3.6	4.8
Upper MICs	9.8	9.7	10.6	5.2	4.8	7.9	9.2	15.4
East Asia and Pacific (EAP)	0.1	0.3	0.4	0.6	0.5	2.1	3.4	5.2
Europe and Central Asia (ECA)	..	..	..	..	1.0	4.0	3.3	9.6
Middle-East and North Africa (MENA)	..	3.9	5.7	1.9	1.0	0.7	2.4	2.6
South Asia (SA)	..	0.1	0.1	0.2	0.2	0.3	1.0	0.9
Latin America and Caribbean (LAC)	2.5	2.8	2.6	1.5	1.6	1.3	1.5	1.4
Sub-Saharan Africa	7.8	8.7	8.1	5.5	3.1	2.0	2.0	1.6
World	100	100	100	100	100	100	100	100

Note: Data unavailable for Lower MICs: 1970-74; ECA: 1970-73; EAP: 1970-73; MENA: 1970-74; SA: 1970-75. Some regional aggregates may not be representative as there are missing country data.

Source: World Bank staff estimates based on the International Monetary Fund's Balance of Payments Statistics Yearbook 2008.

Table A13: Productivity measured as output per person employed, (2005 International US\$)

	1998	2008	Annual change (%) 1998-2008
World	17,013	21,022	2.1
Developed Economies & European Union	61,005	71,102	1.5
Central & South Eastern Europe (non-EU) & CIS	15,009	24,652	5.1
East Asia	5,246	10,920	7.6
South East Asia & the Pacific	6,807	9,222	3.1
South Asia	4,054	6,341	4.6
Latin America & the Caribbean	19,857	21,377	0.7
Sub-Saharan Africa	4,128	5,028	2.0
North Africa	12,703	16,117	2.4
Middle East	28,129	32,319	1.4
Arab region	18,416	22,358	2.0

Source: ILO, Trends Econometric Models, September 2009.

Table A14: World economic outlook- growth (%)

	2008 (%)	2009 estimate* (%)		
		January	March	July
World Output	3.4	0.5	-0.6	-1.4
United States	1.1	-1.6	-2.6	-2.6
Euro Area	1.0	-2.0	-3.2	-4.8
Japan	-0.3	-2.6	-5.0	-6.0
Brazil	5.8	1.8	1.8	-1.3
China	9.0	6.7	6.7	7.5
India	7.3	5.1	5.1	5.4
Russian Federation	6.2	-0.7	-0.7	-6.5
Africa	5.2	3.4	3.4	1.8
ASEAN-5	5.4	2.7	2.7	-0.3
Central and Eastern Europe	3.2	-0.4	-0.4	-5.0
Western Hemisphere	4.6	1.1	1.1	-2.6
Middle East	6.1	3.9	3.9	2.0

* The month indicates the time the forecasts were made.

Source: IMF, quoted from ILO (2009): The Financial and Economic Crisis: A Decent Work Response.

Country tables

Table B.1: Demographic trends

	Total population (millions)			Annual population growth rate (%)		Population under age 15 (% of total)		Working age population (millions)		Population aged 65 and older (% of total)		Total fertility rate (births per woman)	
	1975	2005	2015	1975-2005	2005-2015	2005	2015	2005	2015	2005	2015	1970-1975	2000-2005
Algeria	16.0	32.9	38.1	2.4	1.5	29.6	26.7	21.7	26.0	4.5	5.0	7.4	2.5
Bahrain	0.3	0.7	0.9	3.3	1.7	26.3	22.2	0.5	0.7	3.1	4.2	5.9	2.5
Comoros	0.3	0.8	1.0	3.1	2.3	42.0	38.5	0.4	0.6	2.7	3.1	7.1	4.9
Djibouti	0.2	0.8	1.0	4.3	1.7	38.5	33.5	0.5	0.6	3.0	3.7	7.2	4.5
Egypt	39.2	72.8	86.2	2.1	1.7	33.3	30.7	45.1	54.9	4.8	5.6	5.9	3.2
Iraq	12.0	28.0	34.9	2.8	2.2	41.5	36.6	15.6	21.0	2.8	3.1	7.2	4.9
Jordan	1.9	5.5	6.9	3.5	2.2	37.2	32.2	3.3	4.4	3.2	3.9	7.8	3.5
Kuwait	1.0	2.7	3.4	3.3	2.2	23.8	22.5	2.0	2.5	1.8	3.1	6.9	2.3
Lebanon	2.7	4.0	4.4	1.3	1.0	28.6	24.6	2.6	3.0	7.2	7.6	4.8	2.3
Libya	2.5	5.9	7.1	2.9	1.9	30.3	29.4	3.9	4.7	3.8	4.9	7.6	3.0
Mauritania	1.3	3.0	3.8	2.7	2.4	40.3	36.9	1.7	2.3	3.6	3.6	6.6	4.8
Morocco	17.3	30.5	34.3	1.9	1.2	30.3	26.8	19.7	23.1	5.2	5.9	6.9	2.5
Oman	0.9	2.5	3.1	3.4	2.0	33.8	28.6	1.6	2.1	2.6	3.6	7.2	3.7
oPt	1.3	3.8	5.1	3.7	3.0	45.9	41.9	1.9	2.8	3.1	3.0	7.7	5.6
Qatar	0.2	0.8	1.0	5.1	1.9	21.7	20.6	0.6	0.8	1.3	2.1	6.8	2.9
Saudi Arabia	7.3	23.6	29.3	3.9	2.1	34.5	30.7	14.8	19.3	2.8	3.3	7.3	3.8
Somalia	4.1	8.2	10.9	2.3	2.8	44.1	42.9	4.4	5.9	2.6	2.7	7.3	6.4
Sudan	16.8	36.9	45.6	2.6	2.1	40.7	36.4	20.6	27.1	3.5	4.1	6.6	4.8
Syria	7.5	18.9	23.5	3.1	2.2	36.6	33.0	11.4	14.9	3.2	3.6	7.5	3.5
Tunisia	5.7	10.1	11.2	1.9	1.0	26.0	22.5	6.8	7.9	6.3	6.7	6.2	2.0
UAE	0.5	4.1	5.3	6.8	2.5	19.8	19.7	3.2	4.2	1.1	1.6	6.4	2.5
Yemen	7.1	21.1	28.3	3.6	2.9	45.9	42.4	10.9	15.6	2.3	2.5	8.7	6.0

* Data for Iraq and Somalia are from the HDRO online database at <http://hdr.undp.org/en/statistics/data>

Source: UNDP, HDR 2007/2008, Table 5:243-246.

Table B2: Migration

	Emigration			Immigration		
	Stock of emigrants 2005	Stock of emigrants as per-centage of population 2005	Emigration rate of tertiary educated 2000	Stock of immigrants 2005	Stock of immigrants as per-centage of population 2005	
Algeria	1,783,476	5.4	6.5	242,446	0.7	
Bahrain	20,090	2.8	3.4	295,461	40.7	
Comoros	38,433	4.8	14.5	67,185	8.4	
Djibouti	13,021	1.6	17.8	20,272	2.6	
Egypt	2,399,251	3.2	4.2	166,047	0.2	
Iraq	1,024,070	3.6	9.1	28,372	0.1	
Jordan	641,154	11.2	6.4	2,224,890	39.0	
Kuwait	185,802	6.9	10.0	1,668,991	62.1	
Lebanon	621,903	17.4	29.7	656,727	18.4	
Libya	90,138	1.5	3.8	617,536	10.6	
Mauritania	105,315	3.4	23.1	65,889	2.2	
Morocco	2,718,665	8.6	10.3	131,654	0.4	
Oman	6,877	0.3	0.5	627,571	24.5	
oPt	954,924	25.8	..	1,680,142	45.4	
Qatar	5,783	0.7	2.9	636,751	78.3	
Saudi Arabia	80,705	0.3	0.7	6,360,730	25.9	
Somalia	441,417	5.4	58.6	281,702	3.4	
Sudan	587,120	1.6	5.6	638,596	1.8	
Syria	480,708	2.5	5.2	984,587	5.2	
Tunisia	623,221	6.2	9.6	37,858	0.4	
UAE	41,287	0.9	1.2	3,211,749	71.4	
Yemen	593,137	2.8	5.7	264,842	1.3	

Source: World Bank Migration and Remittances Factbook 2008.

Table B3: Real GDP growth projections in constant price by country, 2008-2014 (annual percentage change)

	Real GDP growth projections (%)			
	2008	2009	2010	2011-14
Algeria	3.0	2.1	3.9	4.3
Bahrain	6.1	2.6	3.5	4.7
Comoros	1.0	0.8	1.5	3.5
Djibouti	5.8	5.1	5.4	6.5
Egypt	7.2	3.6	3.0	5.8
Iraq	..	..	..	..
Jordan	6.0	3.0	4.0	5.1
Kuwait	6.3	-1.1	2.4	4.6
Lebanon	8.5	3.0	4.0	4.4
Libya	6.7	1.1	2.8	8.3
Mauritania	2.2	2.3	4.7	8.1
Morocco	5.4	4.4	4.4	5.8
Oman	6.2	3.0	3.8	6.3
oPt	..	..	..	..
Qatar	16.4	18.0	16.4	4.8
Saudi Arabia	4.6	-0.9	2.9	4.9
Somalia	..	..	..	..
Sudan	..	..	..	..
Syria	5.2	3.0	2.8	4.8
Tunisia	4.5	3.3	3.8	5.6
UAE	7.4	-0.6	1.6	4.5
Yemen	3.9	7.7	4.7	4.4

Source: IMF.

Table B4: Remittances-inflows, current US\$ million (for available data)

	Average 1990- 1995	Average 1996- 2000	2001	2002	2003	2004	2005	2006	2007	Average 2001- 2007
Algeria	1,115	916	670	1,070	1,750	2,460	1,950	2,527	2,906	1,905
Bahrain	..	..	..	..	..	..	..	..	..	..
Comoros	13	12	12	12	12	12	12	12	12	12
Djibouti	15	..	12	15	25	25	26	28	28	23
Egypt	4,501	3,252	2,911	2,893	2,961	3,341	5,017	5,330	5,865	4,045
Iraq	..	..	..	..	..	..	..	..	..	..
Jordan	894	1,748	2,011	2,135	2,201	2,331	2,500	2,883	2,934	2,428
Kuwait	..	..	..	..	..	..	..	..	..	..
Lebanon	1,862	1,332	2,307	2,544	4,743	5,592	4,924	5,183	5,500	4,399
Libya	..	9	10	7	8	10	15	16	16	12
Mauritania	15	3	2	2	2	2	2	2	2	2
Morocco	1,987	2,034	3,261	2,877	3,614	4,221	4,589	5,454	5,700	4,245
Oman	39	39	39	39	39	39	39	39	43	40
oPt	556	803	409	344	472	455	598	598	598	496
Qatar	..	..	..	..	..	..	..	..	..	..
Saudi Arabia	..	..	..	..	..	..	..	..	..	..
Somalia	..	..	..	..	..	..	..	..	..	..
Sudan	127	527	740	978	1,223	1,403	1,016	1,157	1,157	1,096
Syria	419	230	170	135	889	855	823	795	824	642
Tunisia	560	739	927	1,071	1,250	1,432	1,393	1,510	1,669	1,322
UAE	..	..	..	..	..	..	..	..	..	..
Yemen	1,115	1,203	1,295	1,294	1,270	1,283	1,283	1,283	1,283	1,284
Total	13216	12847	14776	15416	20459	23461	24187	26817	28537	21950
Mashreq	3730	4113	4897	5158	8305	9233	8845	9459	9856	7965
Maghreb	3662	3698	4868	5025	6622	8123	7947	9507	10291	7483
GCC	39	39	39	39	39	39	39	39	43	40

Notes: Mashreq comprises Iraq, Jordan, Lebanon, oPt and Syria.

Maghreb comprises Algeria, Libya, Morocco and Tunisia.

Source: World Bank Migration and Remittances Factbook 2008.

Table B5: Remittances-outflows, current US\$ million (for available data)

	Average 1990-1995	Average 1996-2000	2001	2002	2003	2004	2005	2006	2007	Average 2001-2007
Algeria	27	..	..	..	..	..	..	..	..	..
Bahrain	394	758	1,287	872	1,082	1,120	1,223	1,531	1,483	1,228
Comoros	6	..	..	..	..	..	..	..	..	..
Djibouti	17	..	2	2	5	5	5	5	5	4
Egypt	152	133	35	14	79	13	57	135	180	73
Iraq	..	..	..	..	..	..	..	..	781	781
Jordan	83	182	193	194	227	272	349	401	479	302
Kuwait	990	1,565	1,784	1,925	2,144	2,403	2,648	3,021	3,824	2,536
Lebanon	..	..	..	2,521	4,081	4,233	4,012	4,132	3,022	3,667
Libya	346	270	683	694	676	790	914	945	762	781
Mauritania	25	11	..	..	..	..	..	..	..	..
Morocco	20	26	36	36	44	42	40	41	52	42
Oman	1,219	1,446	1,532	1,602	1,672	1,826	2,257	2,788	3,670	2,192
oPt	..	26	10	9	13	13	16	16	..	13
Qatar	..	..	..	..	..	..	..	..	..	..
Saudi Arabia	14,783	14,958	15,120	15,854	14,783	13,555	13,996	15,611	16,068	14,998
Somalia	..	..	..	..	..	..	..	..	..	..
Sudan	2	3	2	4	1	2	2	2	2	2
Syria	13	26	30	35	40	42	40	235	235	94
Tunisia	18	27	24	20	24	19	16	16	15	19
UAE	..	..	..	..	..	..	..	..	..	..
Yemen	91	46	64	64	60	108	109	121	319	121
Total	18184	19476	20802	23846	24931	24443	25684	29000	30897	26853
Mashreq	95	234	233	2759	4361	4560	4417	4784	4518	4857
Maghreb	411	323	743	750	744	851	970	1002	829	841
GCC	17385	18726	19723	20253	19681	18904	20124	22951	25044	20954

Notes: Mashreq comprises of Iraq, Jordan, Lebanon, oPt and Syria.

Maghreb comprises of Algeria, Libya, Morocco and Tunisia.

Source: World Bank Migration and Remittances Factbook 2008

Table B6: Ratifications of the fundamental human rights Conventions by country and year

	Freedom of Association and Collective Bargaining		Elimination of Forced and Compulsory Labour		Elimination of Discrimination in Respect of Employment and Occupation		Abolition of Child Labour		Other conventions signed (number)
	87 (1948)	98 (1949)	29 (1930)	105 (1957)	100 (1951) Pay	111 (1958) Employment	138 (1973) Min. age	182 (1999) Worst forms	
Algeria	1962	1962	1962	1969	1962	1969	1984	2001	46
Bahrain			1981	1998		2000		2001	4
Comoros	1978	1978	1978	1978	1978	2004	2004	2004	21
Djibouti	1978	1978	1978	1978	1978	2005	2005	2005	50
Egypt	1957	1954	1955	1958	1960	1960	1999	2002	55
Iraq		1962	1962	1959	1963	1959	1985	2001	54
Jordan		1968	1966	1958	1966	1963	1998	2000	16
Kuwait	1961	2007	1968	1961		1966	1999	2000	12
Lebanon		1977	1977	1977	1977	1977	2003	2001	42
Libya	2000	1962	1961	1961	1962	1961	1975	2000	20
Mauritania	1961	2001	1961	1997	2001	1963	2001	2001	31
Morocco		1957	1957	1966	1979	1963	2000	2001	43
Oman			1998	2005			2005	2001	0
oPt	..	..	..	..	..	..	..	..	..
Qatar			1998	2007	..	1976	2006	2000	1
Saudi Arabia			1978	1978	1978	1978		2001	10
Somalia			1960	1961	..	1961			9
Sudan		1957	1957	1970	1970	1970	2002	2003	7
Syria	1960	1957	1960	1958	1957	1960	2001	2003	42
Tunisia	1957	1957	1962	1959	1968	1959	1995	2000	44
UAE			1982	1997	1997	2001	1998	2001	3
Yemen	1976	1969	1969	1969	1976	1969	2000	2000	21
Arab countries	10	15	21	21	16	20	18	20	
World (176 countries)	143	151	165	159	159	159	146	159	

Source: ILOLEX, accessed at 22hrs 1-9-2009.

Annex 1: Classifications of the Arab region

There are 22 Arab countries: Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, occupied Palestinian territory, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, UAE, and Yemen. They are all members of the League of Arab States and of the Arab Labour Organization.

Arab countries share many common characteristics and have developed regional institutions to support the achievement of their objectives. However, there is no all-encompassing statistical basis for the Arab countries and, in fact there is considerable diversity among them. No classification is perfect while an additional complication arises due to the different statistical practices and concepts used by different countries across the region. Thus comparisons are often confined to subgroups within the Arab world for which data exist, and references to the Arab countries, as a whole, are frequently nuanced by identifying certain common tendencies within various subgroups, for example, distinguished by:

Sub-region

- Maghreb/North Africa: Algeria, Libya, Morocco, and Tunisia. In some classifications this sub-region includes also Egypt and Sudan.
- Mashreq/Middle East: Iraq, Jordan, Lebanon, the Syrian Arab Republic, and the occupied Palestinian territory. In some classifications this sub-region includes the GCC countries as well as Iran and Yemen.
- The Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE).
- Others (Djibouti, Egypt, Mauritania, Sudan, and Yemen).

Their affiliation to some regional group

- EUROMED partners that include Algeria, Egypt, Jordan, Lebanon, Morocco, Tunisia, the occupied Palestinian territory and Syria.
- ESCWA (Economic and Social Commission for Western Asia) that covers Egypt, Iraq, Jordan, Lebanon, Palestine, Sudan, Syria, Yemen and the GCC economies (though the UN classification of WEST ASIA includes the ESCWA countries *plus* Armenia, Azerbaijan, Cyprus, Georgia, Israel, and Turkey).
- LARS (League of Arab States) distinguishes between mixed oil economies (MOE: Algeria and

Libya); Oil Economies (OE: the GCC economies); diversified economies (DE: Egypt, Jordan, Lebanon, Morocco, Syria, and Tunisia); and, primary export economies (PEE: Comoros, Djibouti, Mauritania, Sudan, and Yemen).

- The ILO Key Indicators of the Labour Market (KILM) groups the regional countries into the Middle East (Bahrain, Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, oPt, Qatar, Saudi Arabia, Syria, UAE and Yemen) and North Africa (Algeria, Egypt, Libya, Morocco, Sudan and Tunisia). The remaining four Arab countries (Comoros, Djibouti, Mauritania and Somalia) are grouped in other regions.

Resource base

- Resource-poor but labour-abundant countries (Djibouti, Egypt, Jordan, Lebanon, Morocco Tunisia, and the West Bank and Gaza);
- Resource-rich and labour-abundant countries (Algeria, Iraq, Syria, and Yemen); and
- Resource-rich and labour-importing countries (Bahrain, Kuwait, Libya, Oman, Qatar, Saudi Arabia, and the UAE).

Security status

For example, fragile, crisis, conflict and post-conflict economies (Iraq, Lebanon, the occupied Palestinian territory, Somalia, Sudan, and Yemen).

Some other characterization

- Level of income such as high-income economies (mainly the GCC), low-income economies (mainly Djibouti, Mauritania, Sudan and Yemen) and middle-income economies (the remaining ones);
- The nature of their economy, for example, predominantly oil economies (the GCC), mixed oil economies (Algeria, Iraq, and Libya), non-oil economies (Egypt, Jordan, Lebanon, Morocco, Syria, and Tunisia), and primary export economies (Comoros, Djibouti, Mauritania, Somalia, Sudan, and Yemen);
- Net oil importers (Djibouti, Jordan, Lebanon, Morocco, and Tunisia) with others being classified as net exporters of oil;
- The commonly used term MNA or MENA (Middle East and North Africa) typically includes the Maghreb, Mashreq, the GCC as well as Djibouti, Egypt, Iran and Yemen.

Annex 2: Regional responses by measure

Measure/Area	Country
Employment Creation/Protection	<p>Bahrain: labour unions began a “right to work” campaign to reinstate workers who lost their jobs; planned measures for increased employability of unemployed university graduates;</p> <p>Egypt: to put in place an employment generation programme as part of its expansionary fiscal policy, social solidarity plans for young people to fight unemployment, emphasis on public investments for labour-intensive projects; Social Development Fund (SFD) focuses on small-scale income-generating projects and labour-intensive activities;</p> <p>Jordan: creation of a company for the recruitment and training of workers in the agricultural sector, support to the General Federation of Trade Unions and consultations with concerned parties regarding labour legislation, new law to “Combat Trafficking in Human Beings” passed in 2009, creation of a committee at the Ministry of Labour (MoL) to encourage employment in the agriculture sector and job insertion of those with less than high school education;</p> <p>Kuwait: a draft labour law requiring employers to increase the notice periods and termination payments to their employees, plans for taking measures to increase job opportunities for nationals in the private sector;</p> <p>Mauritania: opening up of 30,000 hectares of irrigated land for development, training and insertion programmes for 4,000 unemployed youth, strengthening the youth job-promotion fund;</p> <p>Morocco: the Emergency Plan II focuses on “Morocco’s world jobs” in fields where Morocco holds competitive advantages, such as off-shoring, automobile industry, aeronautics and electronics; the creation of 22 integrated industrial platforms and numerous “host sites” for investors are expected to generate 220,000 new jobs by 2015;</p> <p>Oman: the upcoming Plan and economic reform programme aims to diversify the economy away from its reliance on hydrocarbons and to create more employment opportunities, especially for young workers;</p> <p>Tunisia: new provisions for early retirement for public sector employees, the government encouraged factory owners to employ workers on half-days shifts subject to employer discretion;</p> <p>Saudi Arabia: The Ministry of Labour set up a working group to follow up any impact of the crisis, will open employment offices at universities and secondary schools, new training initiatives, including helping job seekers to find employment in alternative locations that have jobs, investments in agricultural and job-generating projects, establishment of women’s units at the Human Resource Development Fund;</p> <p>Syria: new labour law introduced in 2009</p>
Wages	<p>Algeria: salary increases for civil servants to retain skilled staff;</p> <p>Iraq: salaries raised by 75 per cent in 2008);</p> <p>Jordan: minimum wage increased from JD110/month to JD150/month starting 1 January 2009;</p> <p>Kuwait: salaries and benefits increased in 2008;</p> <p>Lebanon: minimum wage in both the public and private sectors was increased by two thirds from US\$200/month to US\$330/month; provision for retroactive public sector wage increases;</p> <p>Libya: planned 14 per cent increase in the government wage bill for 2009;</p> <p>Morocco: minimum wage increased from US\$1.35 per hour in 2008 to US\$1.40 per hour in July 2009; wage at the bottom of the salary scale may be increased more;</p> <p>Qatar: salaries increased in 2008;</p> <p>Saudi Arabia: government commitment to increase public sector wages;</p> <p>Tunisia: minimum wages and state pensions raised by around 3.5 per cent;</p> <p>UAE: public sector salaries increased significantly in 2008;</p> <p>Yemen: new minimum salary set at YR20,000/month.</p>

<p>Social insurance</p>	<p>Bahrain: first-time job seekers included in unemployment insurance scheme, introduced 1 per cent levy to fund unemployment insurance,</p> <p>Egypt: pension and health insurance being restructured;</p> <p>Jordan: draft social security law prepared: coverage extended selectively to firms with fewer than 5 workers with full coverage aimed by the end of 2011 and planned expansion to employers, self-employed, and homemakers; greater cooperation between social and health insurance; pension adjustment for inflation; maternity benefits to become part of social security instead of employer provided;</p> <p>Kuwait: laid off nationals from private companies to get 60 per cent of the salaries paid by the former employers, in addition to a cost of living payment;</p> <p>Lebanon: draft law provides for the reform of the social insurance system and expansion of coverage;</p> <p>Morocco: preservation of social insurance coverage of employees at its 2008 level by the settlement of all government contributions to social security;</p> <p>Tunisia: plans to reduce social security contributions for affected companies.</p>
<p>Social Assistance/ Subsidies</p>	<p>Comoros: fuel subsidies;</p> <p>Bahrain: subsidies for food and to low income families; the government to rent villas and apartments from builders facing financial difficulties for housing its own staff;</p> <p>Jordan: fuel subsidies removed but compensatory measures introduced;</p> <p>Kuwait: the newly unemployed to receive benefits for up to six months from an unemployed workers fund;</p> <p>Lebanon: proxy-means mechanism piloted to target services and subsidies to the needy and vulnerable;</p> <p>Mauritania: increased subsidies for public companies and for food, tax on rice to be abolished;</p> <p>Morocco: subsidies to wheat importers and price controls on wheat, flour and bread;</p> <p>Qatar: soft loans to Qatari nationals to build houses for personal use;</p> <p>Saudi Arabia: the Sovereign Wealth Fund will provide credit to low-income citizens with difficulty getting access to loans;</p> <p>Tunisia: taxes on wheat reduced, price controls on strategic staples;</p> <p>Yemen: tax exemptions on wheat, rice, sugar and children's milk; price controls on basic commodities, increased cases registered in the Social Welfare Fund</p>
<p>Migrant workers</p>	<p>Bahrain: expatriates given greater freedom to change jobs, closer supervision and inspection of recruitment agencies, greater access to complaints and improved arbitration procedures including domestic workers, provisions for joining trade unions, greater protection of wages, eligibility for unemployment insurance; increase in the fees for expatriate work permits;</p> <p>Jordan: new draft labour law to regulate better the employment of expatriates, Jordanians working abroad offered support for disputes in receiving countries, incentives to employers who hire Jordanians instead of expatriate workers;</p> <p>Kuwait: plans for deportation of illegal workers but greater freedom to allow expatriate workers to sponsor themselves; in the new 5-year Plan the number of expatriate workers in the public sector is expected to be cut by half – from 15,000 to 8,000;</p> <p>Oman: the ban on expatriate workers from certain professions to be relaxed;</p> <p>Mauritania: programme to integrate refugees returning from Senegal and Mali into the economy and society;</p> <p>Saudi Arabia: planned measures to: facilitate the reintegration of non-Saudi workers who have lost their jobs and improve legal protection and working conditions; reduce the number of foreign workers.</p>

Employment Services	<p>Bahrain: upgraded its jobs bank at Ministry of Labour;</p> <p>Saudi Arabia: expanded employment services especially for secondary school graduates and university graduates.</p>
Micro credit and SMEs	<p>Bahrain: subsidies for certain label market activities; established “Bank of the Poor” to provide loans to small enterprises;</p> <p>Dubai: measures to ease visa rules for foreign property owners, elimination of the (Dh 150,000) minimum capital requirement for starting a business;</p> <p>Djibouti: new commercial code, easier access to micro credit;</p> <p>Egypt: regulatory reforms in the areas of taxation, tariffs and courts, cancelation of reserve requirements for loans;</p> <p>Iraq: with the contribution from nine banks, short and medium-term loans to the unemployed to help them launch investment projects;</p> <p>Jordan: capacity building and tax cuts; the Development and Employment Fund to help create micro-finance projects, phased expansion of social security coverage to firms with fewer than 5 employees;</p> <p>Libya: plans incentives for setting up small businesses;</p> <p>Morocco: tax cuts,</p> <p>Tunisia: facilitate access to finance, loans to university graduates to help launch small businesses;</p> <p>UAE: loans for start-ups.</p>
Child Labour	<p>Jordan: intensification of inspection campaigns and penalties; establishment of a centre for assisting workers and their families; capacity building;</p> <p>Egypt: new children’s rights bill to raise the legal age of marriage to 18, children born out of wedlock to have access to schooling and health;</p> <p>Yemen: adoption of various children and youth plans and strategies to reduce child labour, advocate children’s rights and strengthen labour inspections; tax exemption for children’s milk.</p>

Source: The list is highly selective and refers to activities reported in official announcements, local/regional and international media reports, as well as reports by practitioners and international organizations. Based on official announcements and media reports. Details available from the author.

Annex 3: The ILO Global Jobs Pact. Recovering from the crisis.⁶⁶

The General Conference of the International Labour Organization,

Having heard the Heads of State, Vice-Presidents, Prime Ministers and all other participants in the ILO Summit on the Global Jobs Crisis,

Having received the proposal made by the Conference Committee of the Whole on Crisis Responses,

Considering the important role that the Governing Body and the International Labour Office have in the implementation of resolutions adopted by the Conference,

Having in mind the Decent Work Agenda and the Declaration on Social Justice for a Fair Globalization as ways of dealing with the social dimension of globalization,

adopts, this nineteenth day of June of the year two thousand and nine, the following resolution.

I. A Decent Work response to the crisis

1. The global economic crisis and its aftermath mean the world faces the prospect of a prolonged increase in unemployment, deepening poverty and inequality. Employment has usually only recovered several years after economic recovery. In some countries, the simple recovery of previous employment levels will not be enough to contribute effectively to strong economies, and to achieve decent work for women and men.
2. Enterprises and employment are being lost. Addressing this situation must be part of any comprehensive response.
3. The world must do better.
4. There is a need for coordinated global policy options in order to strengthen national and international efforts centred around jobs, sustainable enterprises, quality public services, protecting people whilst safeguarding rights and promoting voice and participation.
5. This will contribute to economic revitalization, fair globalization, prosperity and social justice.

6. The world should look different after the crisis.
7. Our response should contribute to a fair globalization, a greener economy and development that more effectively creates jobs and sustainable enterprises, respects workers' rights, promotes gender equality, protects vulnerable people, assists countries in the provision of quality public services and enables countries to achieve the Millennium Development Goals.
8. Governments and workers' and employers' organizations commit to work together to contribute to the success of the Global Jobs Pact. The International Labour Organization's (ILO's) Decent Work Agenda forms the framework for this response.

II. Principles for promoting recovery and development

9. Action must be guided by the Decent Work Agenda and commitments made by the ILO and its constituents in the 2008 Declaration on Social Justice for a Fair Globalization. We set out here a framework for the period ahead and a resource of practical policies for the multilateral system, governments, workers and employers. It ensures linkages between social progress and economic development and involves the following principles:
 - (1) devoting priority attention to protecting and growing employment through sustainable enterprises, quality public services and building adequate social protection for all as part of ongoing international and national action to aid recovery and development. The measures should be implemented quickly in a coordinated manner;
 - (2) enhancing support to vulnerable women and men hit hard by the crisis including youth at risk, low-wage, low-skilled, informal economy and migrant workers;
 - (3) focusing on measures to maintain employment and facilitate transitions from one job to another as well as to support access to the labour market for those without a job;
 - (4) establishing or strengthening effective public employment services and other labour market institutions;
 - (5) increasing equal access and opportunities for skills development, quality training and education to prepare for recovery;
 - (6) avoiding protectionist solutions as well as the damaging consequences of deflationary wage spirals and worsening working conditions;

⁶⁶ Adopted by the International Labour Conference at its Ninety-eighth Session, Geneva, 19 June 2009

- (7) promoting core labour standards and other international labour standards that support the economic and jobs recovery and reduce gender inequality;
- (8) engaging in social dialogue, such as tripartism and collective bargaining between employers and workers as constructive processes to maximize the impact of crisis responses to the needs of the real economy;
- (9) ensuring that short-term actions are coherent with economic, social and environmental sustainability;
- (10) ensuring synergies between the State and the market and effective and efficient regulation of market economies including a legal and regulatory environment which enables enterprise creation, sustainable enterprises and promotes employment generation across sectors; and
- (11) the ILO, engaging with other international agencies, international financial institutions and developed countries to strengthen policy coherence and to deepen development assistance and support for least developed, developing and transition countries with restricted fiscal and policy space to respond to the crisis.

III. Decent work responses

10. The above principles set the general framework within which each country can formulate a policy package specific to its situation and priorities. They equally should inform and support action by the multilateral institutions. Set out below are some specific policy options.

Accelerating employment creation, jobs recovery and sustaining enterprises

11. To limit the risk of long-term unemployment and increased informality which are difficult to reverse, we need to support job creation and help people into work. To achieve this, we agree to put the aim of full and productive employment and decent work at the heart of the crisis responses. These responses may include:
 - (1) boosting effective demand and helping maintain wage levels including via macroeconomic stimulus packages;
 - (2) helping job seekers by:
 - (i) implementing effective, properly targeted active labour market policies;
 - (ii) enhancing the competence and increasing re-

sources available to public employment services so that job seekers receive adequate support and, where they are working with private employment agencies, ensuring that quality services are provided and rights respected; and

- (iii) implementing vocational and entrepreneurial skills programmes for paid and self-employment;
- (3) investing in workers' skills development, skills upgrading and re-skilling to improve employability, in particular for those having lost or at risk of losing their job and vulnerable groups;
- (4) limiting or avoiding job losses and supporting enterprises in retaining their workforce through well-designed schemes implemented through social dialogue and collective bargaining. These could include work-sharing and partial unemployment benefits;
- (5) supporting job creation across sectors of the economy, recognizing the multiplier effect of targeted efforts;
- (6) recognizing the contribution of small and medium-sized enterprises (SMEs) and micro-enterprises to job creation, and promoting measures, including access to affordable credit, that would ensure a favourable environment for their development;
- (7) recognizing that cooperatives provide jobs in our communities from very small businesses to large multinationals and tailoring support for them according to their needs;
- (8) using public employment guarantee schemes for temporary employment, emergency public works programmes and other direct job creation schemes which are well targeted, and include the informal economy;
- (9) implementing a supportive regulatory environment conducive to job creation through sustainable enterprise creation and development; and
- (10) increasing investment in infrastructure, research and development, public services and "green" production and services as important tools for creating jobs and stimulating sustained economic activity.

Building social protection systems and protecting people

12. Sustainable social protection systems to assist the vulnerable can prevent increased poverty, address social hardship, while also helping to stabilize

the economy and maintain and promote employability. In developing countries, social protection systems can also alleviate poverty and contribute to national economic and social development. In a crisis situation, short-term measures to assist the most vulnerable may be appropriate.

(1) Countries should give consideration, as appropriate, to the following:

- (i) introducing cash transfer schemes for the poor to meet their immediate needs and to alleviate poverty;
- (ii) building adequate social protection for all, drawing on a basic social protection floor including: access to health care, income security for the elderly and persons with disabilities, child benefits and income security combined with public employment guarantee schemes for the unemployed and working poor;
- (iii) extending the duration and coverage of unemployment benefits (hand in hand with relevant measures to create adequate work incentives recognizing the current realities of national labour markets);
- (iv) ensuring that the long-term unemployed stay connected to the labour market through, for example, skills development for employability;
- (v) providing minimum benefit guarantees in countries where pension or health funds may no longer be adequately funded to ensure workers are adequately protected and considering how to better protect workers' savings in future scheme design; and
- (vi) providing adequate coverage for temporary and non-regular workers.

(2) All countries should, through a combination of income support, skills development and enforcement of rights to equality and non-discrimination, help vulnerable groups most hard hit by the crisis.

(3) In order to avoid deflationary wage spirals, the following options should be a guide:

- social dialogue;
 - collective bargaining;
 - statutory or negotiated minimum wages.
- Minimum wages should be regularly reviewed and adapted.
- Governments as employers and procurers should respect and promote negotiated wage rates.

Narrowing the gender pay gap must be an integrated part of these efforts.

13. Countries that have strong and efficiently run social protection systems have a valuable inbuilt mechanism to stabilize their economies and address the social impact of the crisis. These countries may need to reinforce existing social protection systems. For other countries, the priority is to meet urgent needs, while building the foundation for stronger and more effective systems.

Strengthening respect for international labour standards

14. International labour standards create a basis for and support rights at work and contribute to building a culture of social dialogue particularly useful in times of crisis. In order to prevent a downward spiral in labour conditions and build the recovery, it is especially important to recognize that:

- (1) Respect for fundamental principles and rights at work is critical for human dignity. It is also critical for recovery and development. Consequently, increase:
 - (i) vigilance to achieve the elimination and prevention of an increase in forms of forced labour, child labour and discrimination at work; and
 - (ii) respect for freedom of association, the right to organize and the effective recognition of the right to collective bargaining as enabling mechanisms to productive social dialogue in times of increased social tension, in both the formal and informal economies.
- (2) A number of international labour Conventions and Recommendations, in addition to the fundamental Conventions, are relevant. These include ILO instruments concerning employment policy, wages, social security, the employment relationship, the termination of employment, labour administration and inspection, migrant workers, labour conditions on public contracts, occupational safety and health, working hours and social dialogue mechanisms.
- (3) The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy is an important and useful tool for all enterprises, including those in supply chains, for responding to the crisis in a socially responsible manner.

Social dialogue: Bargaining collectively, identifying priorities, stimulating action

15. Especially in times of heightened social tension, strengthened respect for, and use of, mechanisms of social dialogue, including collective bargaining, where appropriate at all levels, is vital.
16. Social dialogue is an invaluable mechanism for the design of policies to fit national priorities. Furthermore, it is a strong basis for building the commitment of employers and workers to the joint action with governments needed to overcome the crisis and for a sustainable recovery. Successfully concluded, it inspires confidence in the results achieved.
17. Strengthening capacities for labour administration and labour inspection is an important element in inclusive action on worker protection, social security, labour market policies and social dialogue.

IV. The way forward: Shaping a fair and sustainable globalization

18. The above agenda closely interacts with other dimensions of globalization and requires policy coherence and international coordination. The ILO should collaborate fully with the United Nations and all relevant international organizations.
19. The ILO welcomes the G20 invitation to the ILO, working with other relevant organizations, to assess the actions taken and those required for the future.
20. We affirm our support to the ILO's role within the UN Chief Executives Board (CEB), which can help to create a favourable international environment for the mitigation of the crisis. We encourage the ILO to play a facilitating role to ensure effective and coherent implementation of social and economic policies in this respect.
21. Cooperation is particularly important on the following issues:
 - (1) building a stronger, more globally consistent, supervisory and regulatory framework for the financial sector, so that it serves the real economy, promotes sustainable enterprises and decent work and better protects savings and pensions of people;
 - (2) promoting efficient and well-regulated trade and markets that benefit all and avoiding protectionism by countries. Varying development

levels of countries must be taken into account in lifting barriers to domestic and foreign markets; and

- (3) shifting to a low-carbon, environment-friendly economy that helps accelerate the jobs recovery, reduce social gaps and support development goals and realize decent work in the process.
22. For many developing countries, especially the least developed, the global recession exacerbates large-scale structural unemployment, underemployment and poverty. We recognize the need to:
 - (1) give much greater priority to the generation of decent work opportunities with systematic, well-resourced, multidimensional programmes to realize decent work and development in the least developed countries;
 - (2) promote the creation of employment and create new decent work opportunities through the promotion and development of sustainable enterprises;
 - (3) provide vocational and technical training and entrepreneurial skills development especially for unemployed youth;
 - (4) address informality to achieve the transition to formal employment;
 - (5) recognize the value of agriculture in developing economies and the need for rural infrastructure, industry and employment;
 - (6) enhance economic diversity by building capacity for value-added production and services to stimulate both domestic and external demand;
 - (7) encourage the international community, including international financial institutions, to make available resources for countercyclical action in countries facing fiscal and policy constraints;
 - (8) keep commitments to increased aid to prevent a serious setback to the Millennium Development Goals; and
 - (9) urge the international community to provide development assistance, including budgetary support, to build up a basic social protection floor on a national basis.
23. Governments should consider options such as minimum wages that can reduce poverty and inequity, increase demand and contribute to economic stability. The ILO's Minimum Wage Fixing Convention, 1970 (No. 131), can provide guidance in this respect.

24. This current crisis should be viewed as an opportunity to shape new gender equality policy responses. Recovery packages during economic crises need to take into account the impact on women and men and integrate gender concerns in all measures. In discussions on recovery packages, both regarding their design and assessing their success, women must have an equal voice with men.
25. Giving effect to the recommendations and policy options of the Global Jobs Pact requires consideration of financing. Developing countries that lack the fiscal space to adopt response and recovery policies require particular support. Donor countries and multilateral agencies are invited to consider providing funding, including existing crisis resources, for the implementation of these recommendations and policy options.
- collecting and disseminating information on countries' crisis response and recovery packages;
 - assessing the actions taken and those required for the future, working with other relevant organizations;
 - strengthening partnerships with regional development banks and other international financial institutions;
 - strengthening country-level diagnostic and policy advisory capacity; and prioritizing crisis response in Decent Work Country Programmes.
28. The ILO commits to allocating the necessary human and financial resources and working with other agencies to assist constituents who request such support to utilize the Global Jobs Pact. In doing so, the ILO will be guided by the 2008 Declaration on Social Justice for a Fair Globalization and accompanying resolution.

V. ILO action

26. The ILO has recognized authority in key areas of importance to respond to the crisis and to promote economic and social development. The ILO's capacity for research and economic and social data analysis is important in this context. Its expertise should be at the centre of its work with governments, social partners and the multilateral system. It includes, but is not limited to:
- employment generation;
 - social protection design and financing models;
 - active labour market programmes;
 - minimum wage setting mechanisms;
 - labour market institutions;
 - labour administration and labour inspection;
 - decent work programmes;
 - enterprise creation and development;
 - international labour standards – implementation and monitoring;
 - social dialogue;
 - data collection;
 - gender equality in the labour market;
 - workplace programmes on HIV/AIDS; and
 - labour migration.
27. The following activities can only strengthen the practical work outlined above:
- improving countries' capacity to produce and use labour market information, including on wage trends, as a basis for informed policy decisions, and collect and analyse consistent data to help countries benchmark their progress;

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