

Arab Labour Market Governance in a Changing Arab Society

Sharm el-Sheikh, Egypt
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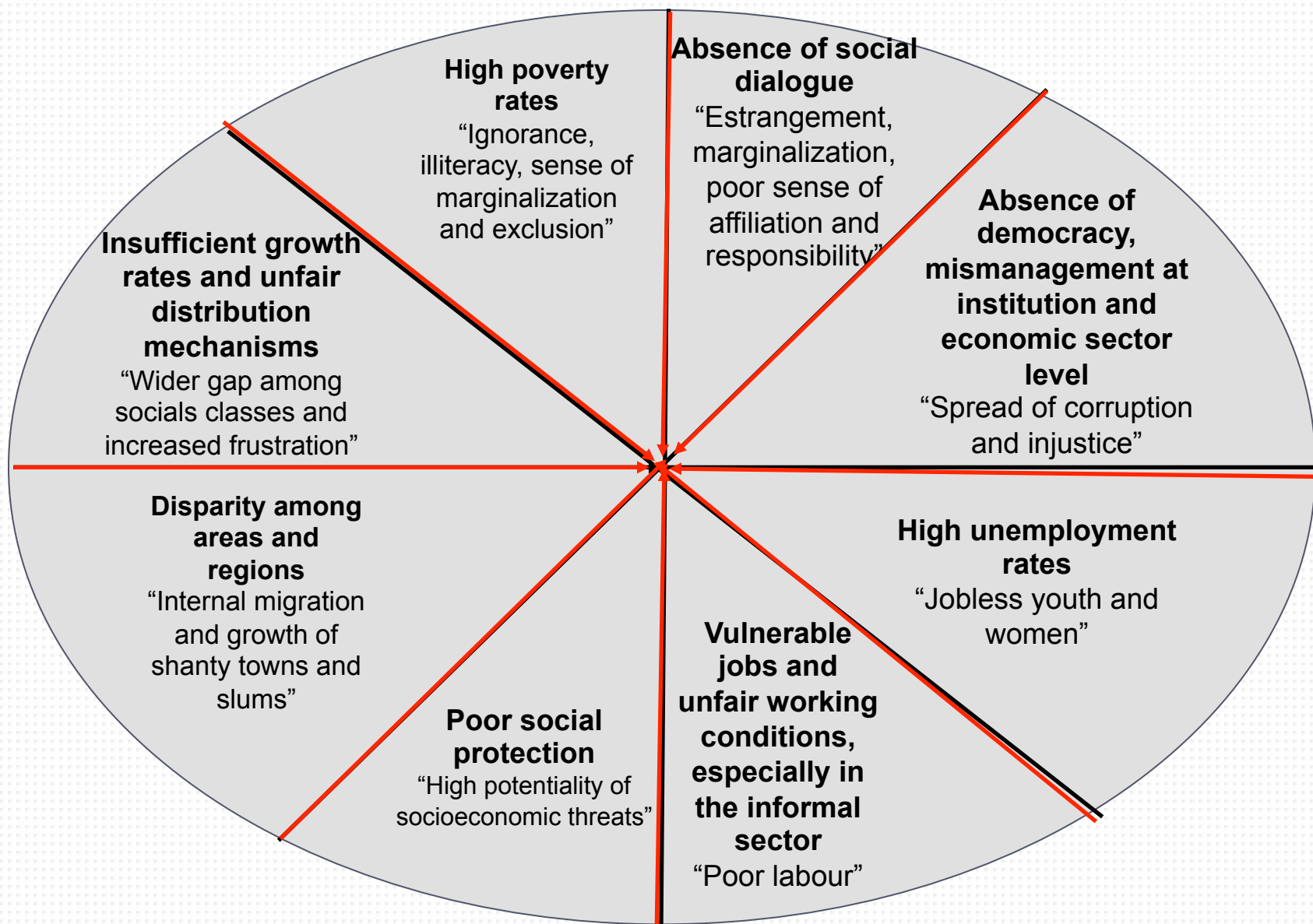
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Arab Conference on Arab Labour Market Governance in a Changing Arab Society
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Introduction:

Despite good development rates recorded in several Arab countries in the first decade of the third Millennium, a steady increase in poverty and unemployment rates is clearly observed in the same period, especially among youth and women, which might be attributed to the absence of appropriate policies to achieve a fair distribution of development revenues.

As unemployment and poverty are two of the most significant factors of marginalizing sectors of the society, they also contribute seriously to instability. The majority of specialists agree that injustice in the labour market, in addition to the absence of democracy and the spread of political and economic corruption, was a significant dormant cause of revolutions witnessed by some Arab countries.



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Due to the important role played by labour administrations in labour regulation and governance, besides other departments and ministries, this presentation sheds light on the most significant challenges faced by Arab labour markets under the political and socioeconomic action witnessed by all Arab countries.

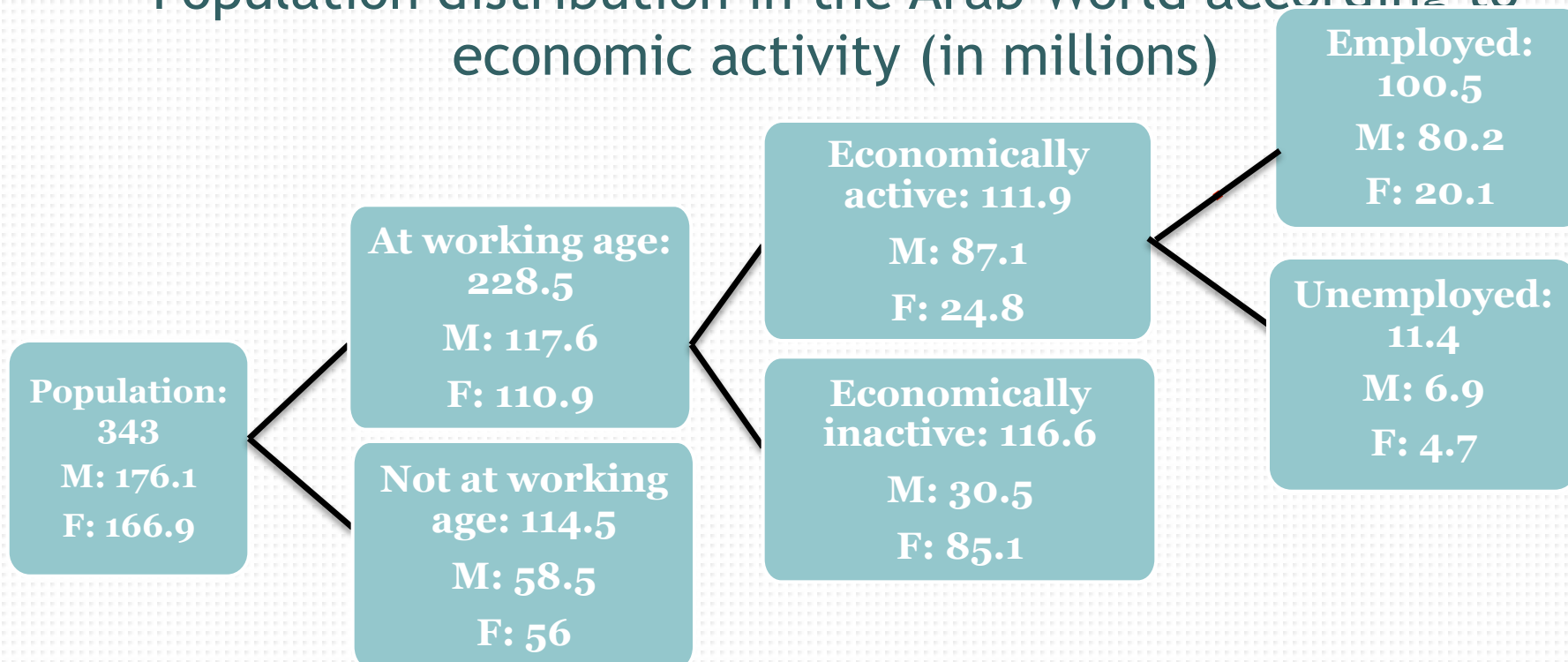
These challenges are diverse and cross-cutting across the whole economic reality, macro financial policies, educational systems, prevalent culture... etc. However, the presentation will focus on the most significant challenges:

1. **Low active participation in the labour market compared to the population and significant increase in unemployment rates, especially among youth and women:**

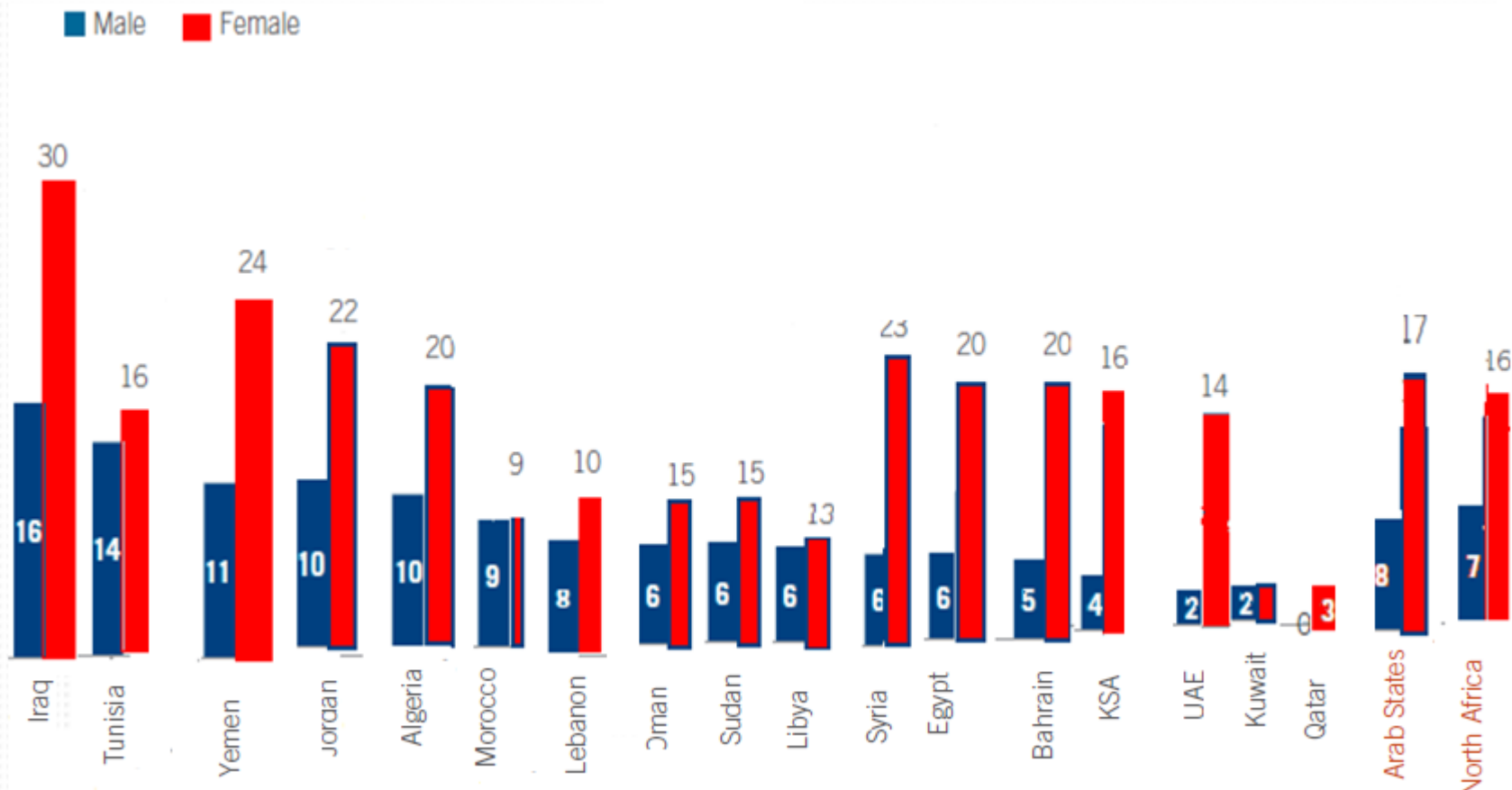
Naturally, this reflects a poor use of available human resources and makes human capacity a burden (high dependency rates) instead of an advantage; hence, more frustration, given that this is coupled by low productivity levels, which will be discussed later.

Low active participation in the labour market is attributed to low Arab women's participation which makes an average of 26% compared with the global average of 51%, as shown by the figure below:

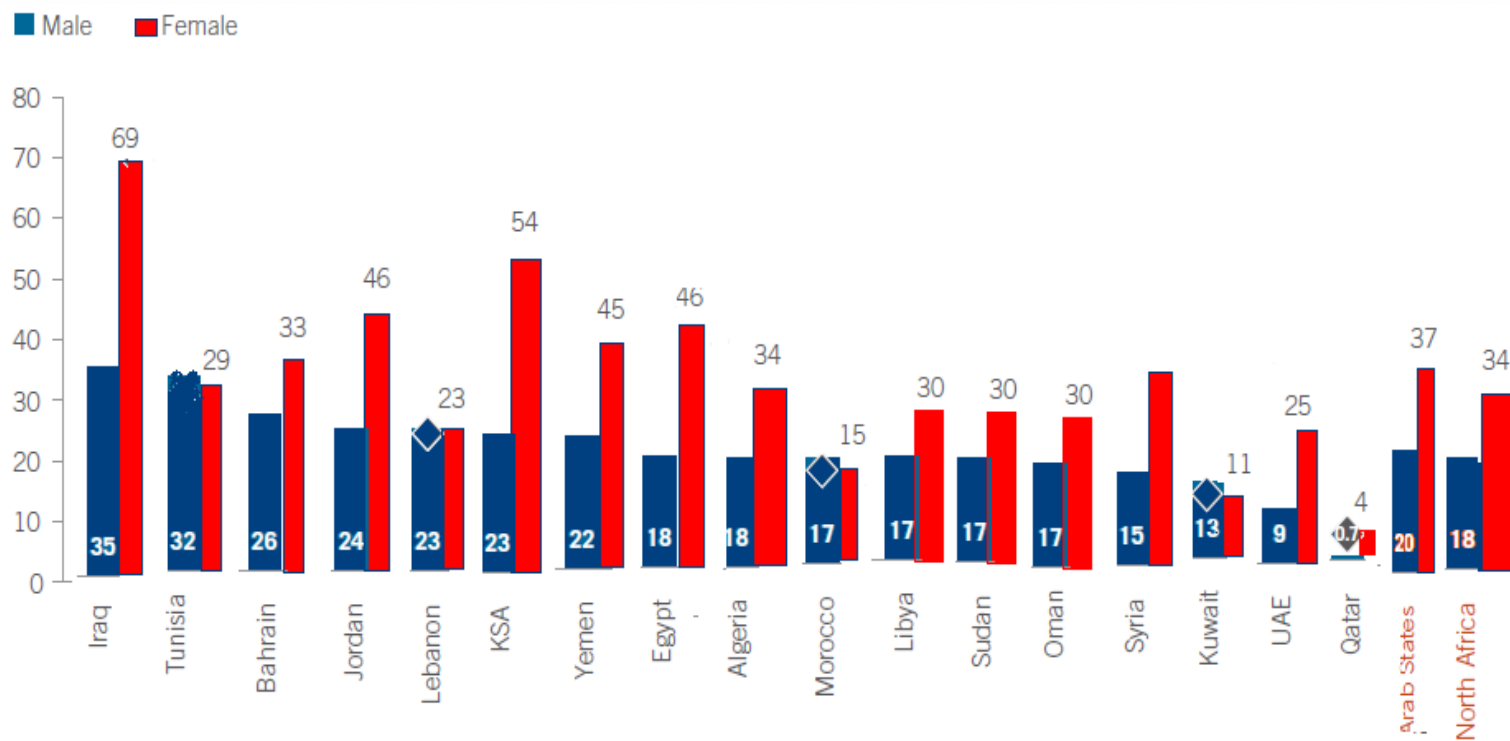
Population distribution in the Arab World according to economic activity (in millions)



Considering the high unemployment rates among women, only one woman in six at working age does work, as shown in the following figure:



Youth unemployment rates as per 2010 statistics:



ILO report “Global Employment Trends for Youth 2013” indicates that youth unemployment rate in the region is about 28.3%, which is expected to remain steady or slightly increase in the coming five years to be 30%. It is also observed that youth unemployment in many Arab countries are more spread among educated people, contrary to the world’s reality, which is a significant indicator that Arab education system outputs do not fit the labour market, besides their low quality.

It is noteworthy that unemployment rates in some countries, such as Tunisia, Libya, Syria, Egypt and Yemen, have increased considerably in the past 2 years due to political instability. A large contrast is also observed in gender-based youth unemployment rates; while males account for 24.5%, females account for 42.6%.

For more details, please refer to “ILO: Global Employment Trends for Youth 2013,ILO:201e”

2. Increased vulnerable employment and low working wages given high costs of living:

It is noted that most new jobs fall under the services, construction and informal sectors, and lack decent work requirements in terms of a fair wage, career stability and social protection, such as some jobs in the tourism sector, handling and day labourers in the construction or agricultural sector (mobile labourers). Such reality has increased the percentage of poor workers due to the high costs of living, especially housing, food and domestic energy costs.

It is also observed that most foreign investments in Arab countries have focused on sectors with low labour costs and lack of the need for high skills; i.e. such investments do not produce high value-added jobs.

3. Inflation of government employees and increased informal sector :

The severe lack of upgraded jobs has led governments to expand appointment in the governmental sector in unnecessary, low-productivity jobs. This has also been coupled by the increase of the informal sector which lacks the requirements of decent work and is characterized by disguised unemployment in most cases. Additionally, working in the informal sector entails the loss of huge tax revenues by the state, which, in turn, enfeebls its capacity to invest or provide basic services. Thus, the regulation of this sector is equally important. In this respect, socioeconomic institutions (cooperatives, mutual benefit societies, social institutions, etc.) can play a constructive role.

4. Education and training system outputs do not meet labour market requirements, besides the lack of serious programmes for school-to-labour-market transition and poor mediation services in the labour market (hiring offices):

There is no doubt that educational and vocational training systems in most Arab countries lack the flexibility necessary to meet the labour market requirements, such as knowledge and skills. In this respect, the private sector should be involved with stakeholders in making educational and training policies. Larger investments should also be made in technical and vocational education. It is sufficient to note that unemployment rates among Arab university graduates are among the highest worldwide. To overcome the issue currently, the provision of transformational training programmes that consider the job opportunities available is a necessity.

It is also good for the training programmes in general to include a component on occupational apprenticeship and job-based training. Furthermore, it is useful to adopt summer employment programmes for secondary education students to introduce them to basic experience on work.

Finally, training programmes at different levels should include training on individual initiative skills, entrepreneurship, besides providing career guidance services for students at early stages.

5. Low productivity levels in many Arab countries, which limits the competitiveness of local products

This might be attributed to low education levels, vocational training quality, the culture of mutual reliance, and poor motivation due to unfair work requirements in many cases. Abiding by decent work requirements, improving the quality of vocational education and training, and spreading the culture of productive work is the principal approach to improve productivity and reduce product cost and improve its quality. Undoubtedly, this will contribute to enhancing corporate and individual competitiveness.

It is noteworthy that productivity level improvement maximizes the economic revenue and pushes development forward. On the other hand, regrettably, improving annual productivity levels in Southeast Asia, for example, is five times those in the Arab region.

6. Limited social protection coverage:

Limited social protection coverage, especially for labourers in the private and informal sectors, is due to inefficient labour legislation and laws on one hand, and poor control necessary to enforce existing laws despite their weaknesses, on the other, in addition to the unwillingness and inability to include informal sector labour in existing social security systems. Furthermore, some social security funds suffer from financial deficit due to governmental control over those funds to reduce budget deficit and fund some government activities and programmes. Moreover, the lesser number of newcomers covered by the social security system is corresponded by a larger number of retirees due to the higher age span thanks to the improvement in health services.

Limited social security in the private sector, besides the issue of the security of tenure, pushes many to insist on government jobs even if they provide less income.

It only remains to indicate that some temporary contract and project workers in the government sector are not covered by the social security in most cases. The reality of social security largely applies to the health insurance and unemployment insurance.

It is hoped that the working paper in the social protection session would provide more detail on this issue. It is noteworthy that some Arab countries have taken some measures to promote social protection in the last 3 years (raising contract salaries, cash remittances for less favoured classes, aging benefits... etc.). However, those measures did not include reforming the existing systems for enhancement and maintaining their sustainability. At the same time, high inflation rates consume any increases in retirement salaries.

In a nutshell, these are merely circumstantial painkillers to secure loyalty and mitigate popular opposition

A successful solution would be to seriously reconsider expanding the base of social protection subscribers, and restructuring existing funds to ensure their management according to rules of modern management and transparency, as well as not infringing upon them.

7. The need for improving labour market governance, laws regulating unionism, investment laws... Etc. or developmental and economic policies and strategies (a new development model based on development for job opportunities is required), in addition to strengthening and upgrading labour administrations (their position compared to other ministries, strengthening their human and technological capacities) in order of them to play a leading role in policymaking and be effective in enforcing labour legislation.

8. Organizations representing workers and employers are poor; they do not assume their role of strengthening the capacities of those represented by them to impose themselves as principal partners in national policymaking

Generally, the weakness of such organizations is due to the narrow democratic margin and the state's direct interference to control most of these organizations which have come to suffer from the lack of internal democracy and inobservance of the interests of their members. Compulsory membership contributes to such abnormal situation.

9. Poor social dialogue and the lack of its institutionalization in most Arab countries (tripartite committees, sectorial committees, socioeconomic councils) which have cancelled the idea of participation and prioritization among production parties

The absence of the culture of social partnership and dialogue has led to adopting policies and programmes that do not observe the interests of all stakeholders, which has contributed to increased labour protests and strikes, instability in the labour market, hindering productivity, and employers' complaint that governments favour labourers at their expense, exposing them to more taxes and restrictions that threaten their investment.

In brief, each of the production parties complains of the inequity and extremism of the other two parties

A serious social dialogue starts at the organizational level and moves up to sectorial followed by national levels. It also requires mechanisms for control, monitor, and free access to information and data related to the labour market in particular.

Thanks for your patience

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