International
Labour
Office

Growth, Employment and Decent Work in the Arab Region: An Overview

Issue Paper

Arab Forum on Development and Employment
Doha, Qatar 15 - 16 November 2008

Growth, Employment and Decent Work in the Arab Region: An Overview

Issue Paper

Arab Forum on Development and Employment
Doha, Qatar 15 - 16 November 2008

International Labour Office

ILO publications can be obtained through major booksellers or ILO local offices in many countries, or direct from:

ILO Publications,
International Labour Office,
CH-1211 Geneva 22, Switzerland.

Catalogues or lists of new publications are available free of charge from the above address, or by email: pubvente@ilo.org Visit our website: **www.ilo.org/publns**

For ILO publications in Arabic, contact ILO Regional Office for Arab States on the following address:

International Labour Organization
Regional Office for Arab States
P.O.Box 11-4088
Riad El Solh 1107-2150
Beirut, Lebanon.
Website: www.ilo.org.lb

Designed by: Moon Promotion
Al - Zein Associates
Printed at: Dar Al Kotob - Beirut, Jnah

ILO contribution to the arab forum on development and employment

Issue Papers[1]

This paper is one of five issue papers that were prepared by the ILO as a contribution towards the Arab Forum on Development and Employment. The subjects of these issue papers are:

- Growth, employment and decent work in the Arab region: an overview
- Promoting employment opportunities for young men and women in the Arab region
- Skills for employability of workers and productivity of enterprises in Arab states
- Sustainable enterprise development and employment creation
- Institutions and policies for equitable and efficient labour market governance in the Arab region

These issue papers were prepared by the ILO team composed of:

Ms. Azita Berar Awad, Director, Employment Policy Department; Mr. Graeme Buckley, Job Creation and Enterprise Development Department; Mr. Tariq Haq, ILO Regional Office for Arab States; Ms. Mary Kawar, Employment Policy Department; and Ms. Dorothea Schmidt, Economic and Labour Market Analysis Department. Contributions from Mr.Ibrahim Awad, Ms. Rania Bikhazi and Mr. Abdel Kerim Kebiri are acknowledged.

The choice of the themes reflects the priority areas and employment challenges facing the Arab region. These papers provide the background material for the realization of commitments made at the global and regional levels on decent work. Moreover, these issue papers are complimentary to ILO approaches and they build on an on-going 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.[2]

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

---

1 The objectives of these papers are to stimulate the debate and the content should not be quoted without ILO authorization.

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

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.[3]

The conclusions of the 35th Arab Labour Organization Conference (February 2008) call for greater regional cooperation in the areas of employment, human resources and social dialogue, with 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 unemployment and existing decent work deficits.

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

Contents

Executive Summary

Jobs and decent work are the primary social demand in the Arab world and the essential element of social cohesion and integration. A region composed of 22 countries in northern Africa and the Middle East with very diverse conditions and perspectives on development and employment, requires that the objectives of decent work be cast in specific national contexts, and the opportunities and constraints thereof.

In the recent period, the Arab region has witnessed a relatively strong and sustained growth driven in large part by the oil boom and the rise in energy prices. This has been accompanied by one of the highest rates of labour force growth in the world due to increased labour force participation of women and labour migration in the GCC countries. Employment growth and labour productivity however, have not increased as significantly as economic growth and the Arab region's unemployment rate remains one of the highest in the world. Challenges remain with regard to youth unemployment and women's participation in the labour force. Indeed, this paper emphasises that women and men's labour markets are highly segmented and women face visible or hidden barriers in accessing jobs, especially in the private sector.

The public sector's share in employment remains significantly high compared to other regions due to a well entrenched belief and practice of the direct role of the public sector in job creation. This phenomenon calls for public sector reforms and policies to encourage privatisation and to support private sector development, which some countries have already introduced. This paper argues however that these policies should be undertaken in tandem with policies that improve wages and conditions of work in the private sector and introduce safety nets.

Another characteristic feature of the employment challenge in the region is the high incidence of migration, which represents 60% to 90% of total employment in GCC countries and around 20% in Lebanon. This paper shows that the clear segmentation of labour markets, with nationals essentially employed in the public sector and migrant workers in the private sector indicates that, in the present situation, labour migration is not a significant cause for the unemployment of nationals. Managing labour migration should therefore be seen as an essential component of the employment strategy.

The informal economy represents the great proportion of the employed in the region and a significant proportion of the private sector employment. It is composed of micro and small enterprises as well as casual and precarious wage employment, with low and insecure income experiencing serious deficits in conditions of work and in access to social protection. The informal economy plays an important role in the livelihoods of millions in the region and represents an important source of entrepreneurship and job creation. Measures are therefore needed to facilitate transition of informal activities to formal and mainstream economy.

This paper advocates for the implementation of pro-active employment strategies backed by public and private investments, for increased coherence between objectives of economic performance with those of employment generation and calls for coordinated action across Government institutions and agencies and public and private partnerships in delivering on the decent work agenda.

1. Introduction

1. Jobs and quality jobs or decent work are the primary social demand in the region and the essential element of social cohesion and integration. The purpose of this paper, prepared by the ILO for the Arab Employment Forum (Doha, November 2008), is to stimulate debate and discussion and to draw policy attention to the need for reconsidering priorities and for making a) employment a central goal of development policies in the region and b) labour market governance an essential element of the reform agenda -if the dividend of the current growth performance of the Region is to translate into real gains in higher productivity, sustained human development and decent work.

2. The Arab region includes some 22 countries in the Middle East and North Africa with very diverse conditions and perspectives on development and employment. This diversity ranges from demographic parameters (large population and abundant labour force vs. small population and minority domestic labour force) to the criteria of income (the region includes some of the richest and the poorest countries) as well as the specific labour market characteristics of countries affected by crises and conflicts (such as Iraq, occupied Palestinian territories, Lebanon, Sudan).

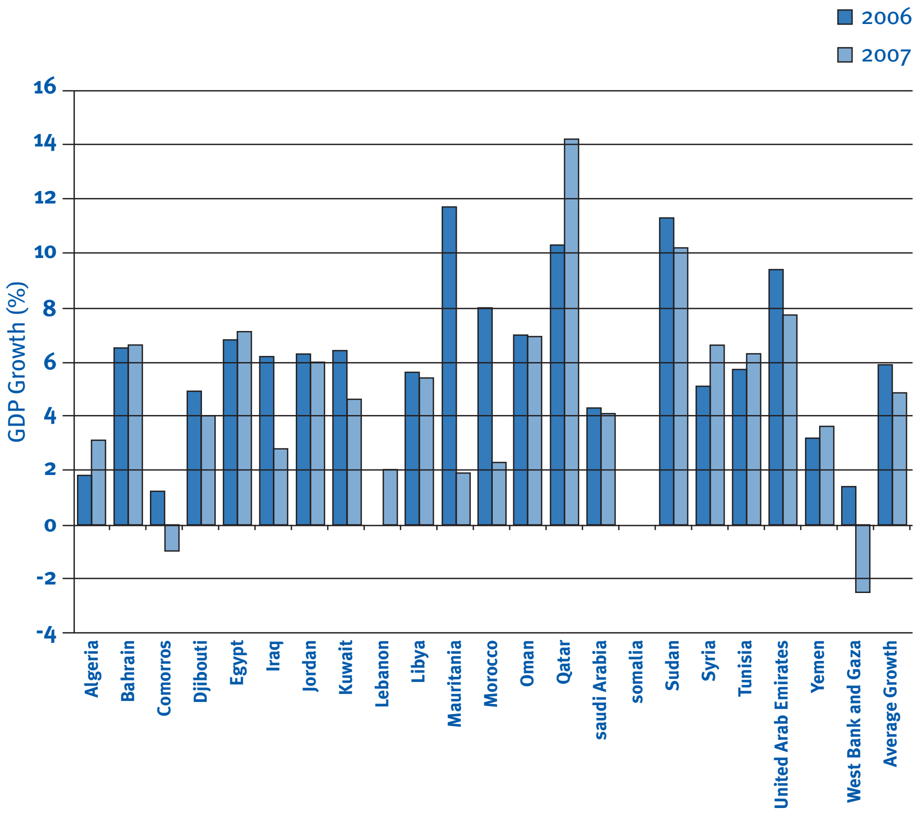
3. The objectives of decent work have therefore to be cast in specific national contexts, and the opportunities and constraints thereof. Nevertheless, this paper lays emphasis on some common trends and policy issues that shape the Region's labour markets. It advocates for the implementation of pro-active employment strategies backed by public and private investments, for increased coherence between objectives of economic performance with those of employment generation and calls for coordinated action across Government institutions and agencies and public and private partnerships in delivering on the decent work agenda. Commitments made by the tripartite (Government, employers and workers) constituency of the region at the ILO Regional Meetings of Bussan, 2006 (by West Asian countries) and of Addis Ababa, 2007 (by Arab countries in Africa) detail out the priorities and specific action.[4]

[4] Websites to consult the conclusions of the two meetings: (http://www.ilo.org/public/english/region/asro/bangkok/) (http://www.ilo.org/public/english/region/afpro/addisababa/index.htm)

2. Economic Growth and Employment Growth

4. In the recent period, the Arab region (Middle East and North Africa) has witnessed a relatively strong and sustained growth of around 5.7 percent, driven for a large part by the oil boom and the rise in energy prices (Figure 1). This pattern represents a much higher average growth than in the 1990s, estimated at about 3.5 percent. The growth has been stronger in resource rich countries of the region. Sources of growth have evolved considerably over the last decade from being driven principally by domestic consumption to an increasing role for investment. Another characteristic feature of growth in the region is the fluctuating nature of oil revenues as the recent sharp decline in the international prices of oil in the midst of the current financial crisis has once again shown.

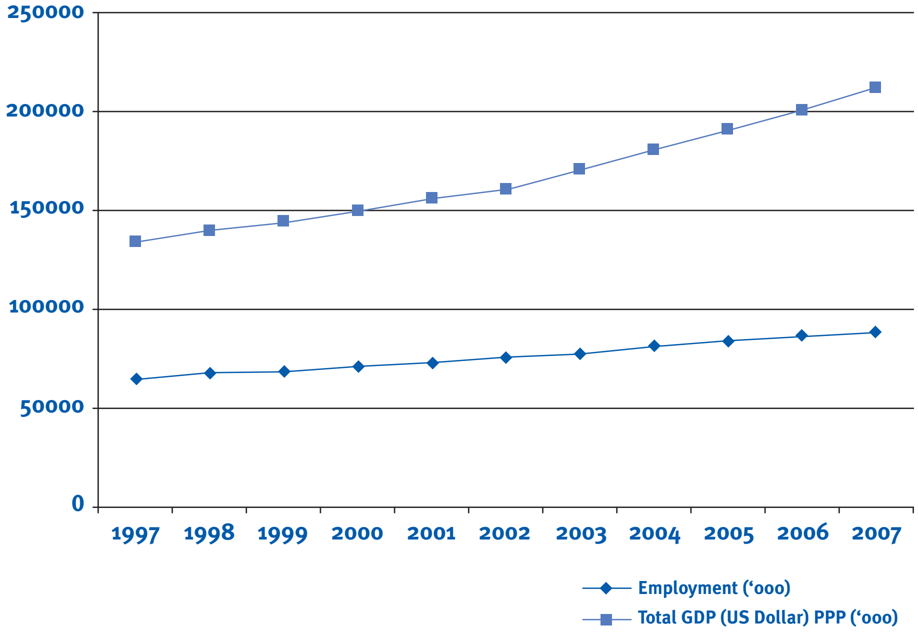
Figure 1: GDP Growth
Arab Countries: GDP Growth in 2006 - 2007
Source: World Bank Indicators



5. The oil sector is not an employment intensive sector, per se and for oil exports-led economic growth to result in job creation, deliberate policies are needed. Policies that utilize the high revenues for investment in infrastructures, for knowledge and skills development and for economic policies that can boost job creation and increase productivity.

6. Figure 2 shows that while the employment/growth relationship has been relatively robust, the employment growth has progressed at a slower pace than the economic growth during the same period. Furthermore, the impact of growth on employment has been extremely uneven across countries and across different segments of the population. On average, unemployment has decreased which is a significant achievement given the rapid labour force growth. Unemployment increased in some GCC countries and to a larger extent in the crises affected countries Iraq, Occupied Palestinian Territories. At the higher end of employment growth one can find some GCC states (UAE, Bahrain, Qatar), with a relative high growth in some of the labour abundant countries such as Algeria followed by Morocco and Tunisia.

Figure 2: GDP Growth and Employment Growth
Source: ILO Global Employment Trends Model



7. The significant job creation performance in the region however is to be cast against the slow progress in labour productivity. The structural shifts in the economy of the region show the increasing share of the services sector in employment (from 47 percent in 1997 to 51 percent in 2007), a slight growth in manufacturing and a significant decline in agriculture (Table 9 in Annex). However the services sector and agriculture together represent 80 percent of employment. The low progress in labour productivity over the last decade result from the types of new jobs created, low pay jobs mostly in agriculture and the lower end of services sector, to a great extent disconnected from the capital intensive growth sectors.

8. In order to better appreciate the interaction between the economic dynamism of the region and the employment outcomes, it is essential to understand and analyse the specific nature of labour markets in the Arab region, which presents some unique characteristics. Six major trends are highlighted hereunder based on the most recent ILO data. A fuller picture including the country variations is given in the Annex prepared especially for the Arab employment Forum.

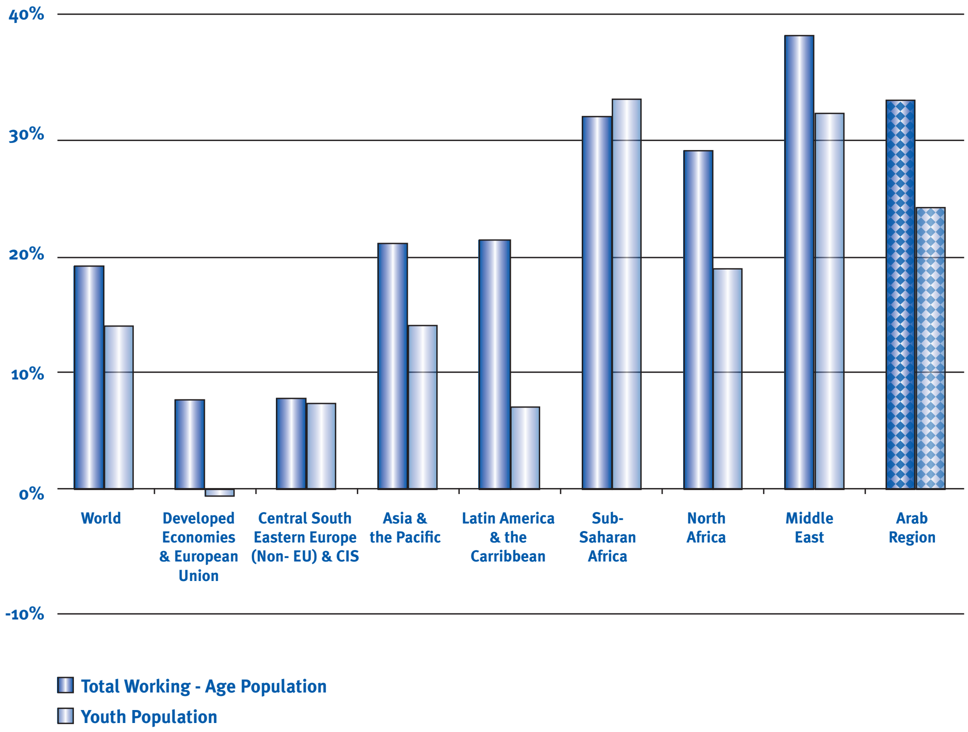
3. Recent Developments in the Labour Markets: Six-Fold Challenges

3.1 Rapid but Decelerating Labour Force Growth

9. The region has had one of the highest labour force growth in the world exceeding three percent per annum which itself is a result of rapid growth of working age population as well as increasing labour force participation rates-largely driven by the higher women's labour force participation rates in larger countries and driven by labour migration in the GCC countries. Figure 3 shows the region's share in the world's working age population, highest across all regions and the youth population, second largest.

10. While the labour force growth will stay high in the years to come until 2020, the pace is decelerating as a result of the demographic transition. Until then however, the challenge of job creation will need to take account of the millions of new entrants to the labour market as both the working age population and the labour force participation rates especially for women will continue to expand.

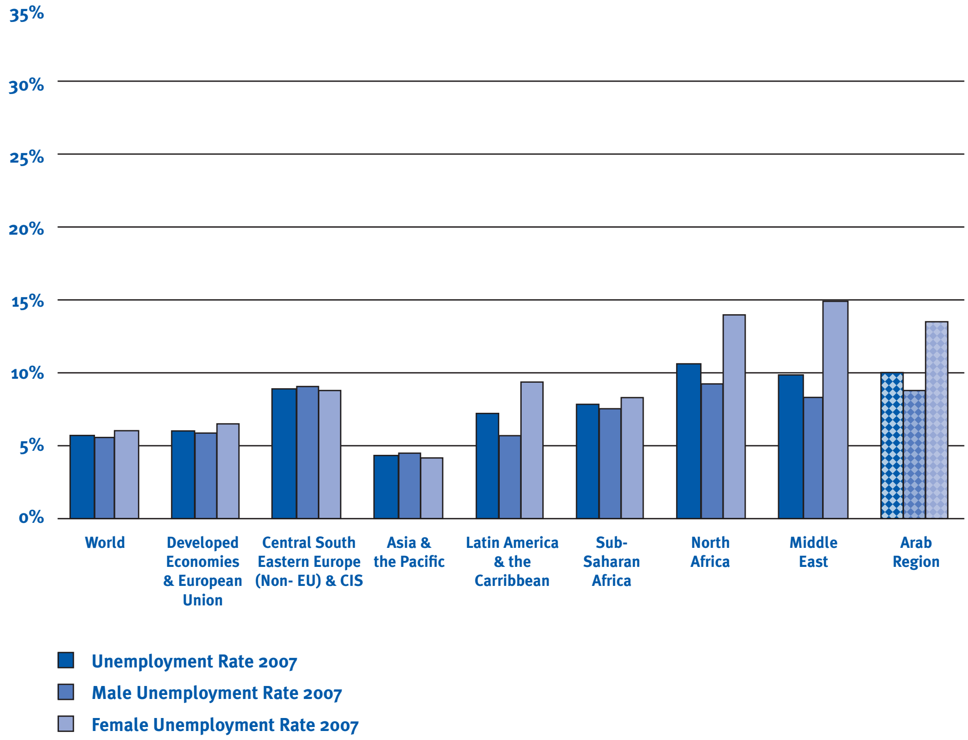
Figure 3: Percentage Changes Between 1997 and 2007 in Total Working - Age and Youth Population
Source: ILO, Trends Econometric Models, April 2008; See Footnote 5 in Annex for a Definition of the Arab Region.



3.2 Unemployment still Significant though Declined in Some Countries

11. As mentioned above, the good performance on job creation and the employment growth has lowered the regional average of unemployment. The employment to population ratio grew by some 38 percent during the 1997-2007 period while the working-age population increased by 24 percent during the same period (Tables 5 and 6 and Figure 6 in Annex). This explains the decline in unemployment rates from over 12 percent in the region to some 10 percent. Country variations are great as shown in the Annex. The unemployment rate still remains one of the highest in the world, both in the Middle East and North Africa (Figure 4).

Figure 4: Unemployment Rates
Source: ILO, Trends Econometric Models, April 2008; See Footnote 5 for a Definition of the Arab Region



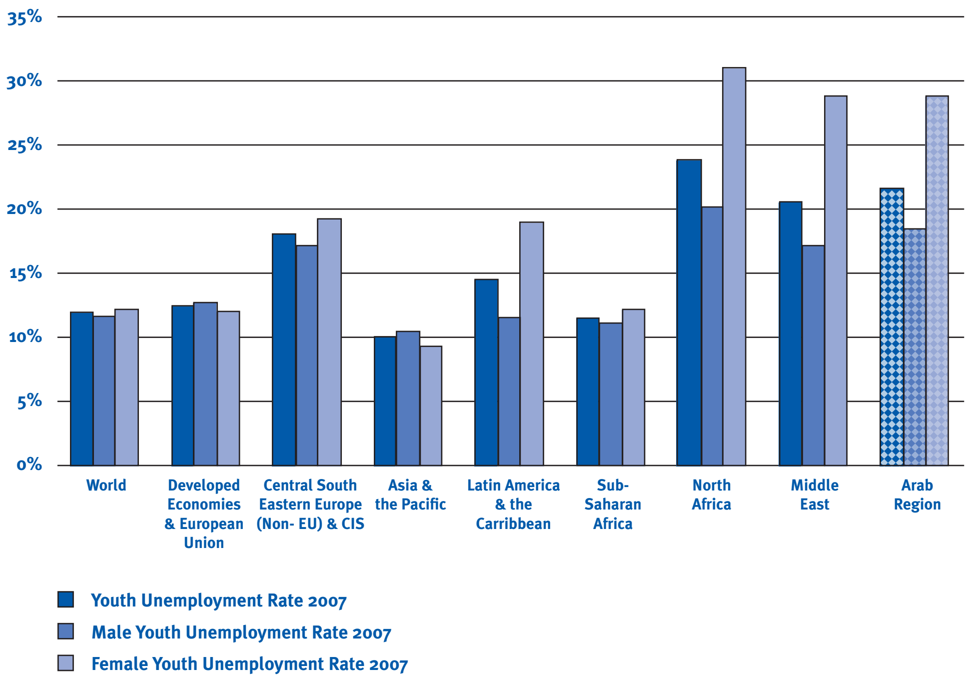
3.3 The Challenge of Youth Employment

12. The problem of unemployment in the region is first and foremost the problem of youth unemployment. As shown in Figure 5, unemployment amongst Arab youth is the highest in the world. Youth unemployment represents 50% on average of all unemployed, it is higher amongst female. What makes the situation more intriguing is the high rate of unemployment amongst educated youth who have completed secondary and/or tertiary education.

13. In order to better understand and analyze the underlying factors explaining youth unemployment, the ILO applied its “School to Work Transition Survey” to three countries including in Egypt, Jordan and Syria amongst countries in the region. The survey aims to capture the experiences of young men and women from five target groups - in school - youth, job seekers, young employees, young self-employed and own account workers, youth who are neither in school nor in the labour market. The results of these surveys show, that the lowest percentage of youth had successfully transited from school to work. These include those who are working either in a job with a permanent contract or that they are satisfied with and do not wish to change. These results are indicative of the major obstacles faced by Arab youth. The young generation of today is the most educated the region has ever seen. However, finding decent work is particularly hard. The sheer size of youth in the working

age population and their aspirations present a particular challenge to policy makers and some of the national policies and regional initiatives are examined in greater depth by the thematic paper on youth employment.

Figure 5: Youth Unemployment Rates
Source: ILO, Trends Econometric Models, April 2008; See Footnote 5 for a Definition of the Arab Region.

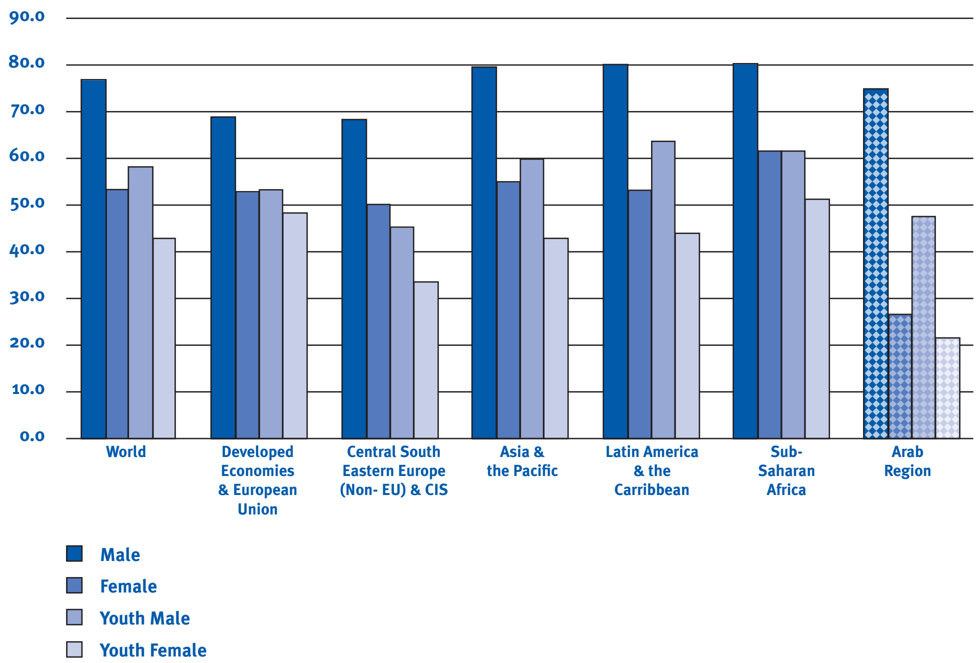


3.4 Gender Gap Closing Albeit Slowly

14. Economic participation of women has been progressively increasing in the Region although it remains noticeably low compared to all other regions in the world (Figure 6). Women's labour force participation varies across countries and is positively associated with the rising education levels.

15. A closer look into the distribution of unemployment clearly shows a significantly higher female unemployment rates (see Figures 4 and 5 above). One reason for the high female unemployment, and perhaps to some extent, the low economic activity rates in general, is the highly segmented labour markets where women tend to be concentrated in specific "acceptable female" occupations. The "crowding" of women in specific occupations augments competition for specific occupations and unemployment. The gap between male and female unemployment rates remains high and increased. Female unemployment has been higher among educated women.

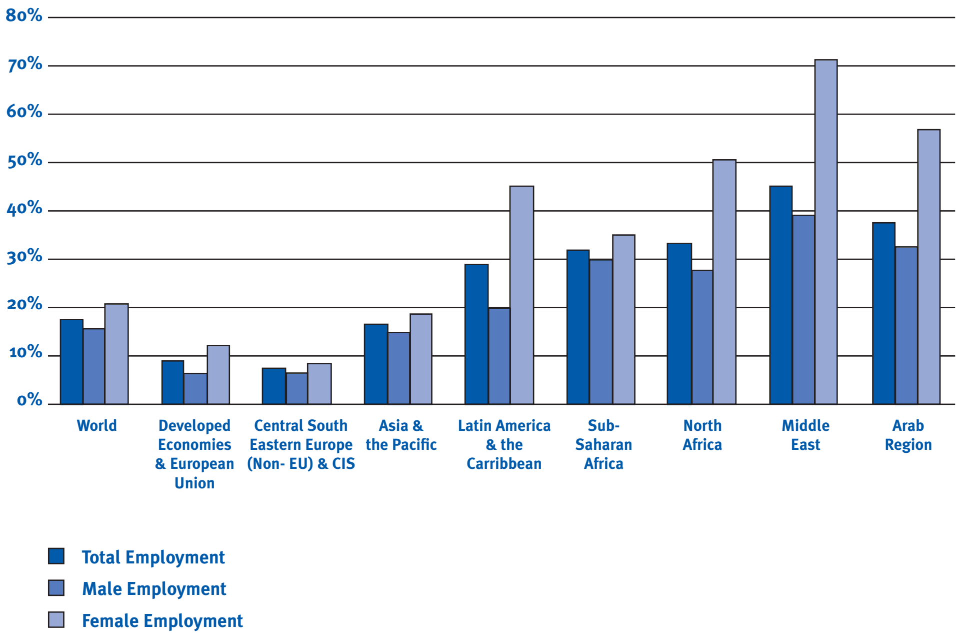
Figure 6: Labour Force Participation Rates, 2007
Source: ILO, Trends Econometric Models, April 2008; See Footnote 5 for a Definition of the Arab Region.



16. Figure 7 on the other hand, shows that women have profited much more from the job increase in the last decade: jobs for women increased by 56.5 per cent whereas for men the increase was 32.6 per cent.

17. In sum, the female participation rates is increasing fast, however the low starting point, the lowest in the world, the potential for improvement is huge. Women and men's labour markets are highly segmented and women face visible or hidden barriers in accessing jobs especially in the private sector. While there seems to be a high correlation between women's educational levels and increased labour force participation rates, even the educated women have difficulty finding decent jobs as reflected in the unemployment figures as well as the growing phenomenon of "discouraged workers" in the region. Higher education is no guarantee for access to quality jobs especially for women. Several countries in the Region have initiated legal and policy initiatives aimed at achieving gender equality. Nevertheless, the structures which are needed to allow women to enter and remain in the labour force need to be strengthened (e.g. family friendly policies, flexible working hours, maternity protection and equal pay).

Figure 7: Percentage Changes in Employment Between 1997 and 2007 in Employment
Source: ILO, Trends Econometric Models, April 2008; See Footnote 5 for a Definition of the Arab Region.



3.5 Public and Private Sectors' Share in Employment

18. A characteristic feature of the Region is the well entrenched belief and practice of the direct role of the Public sector in job creation. The Government is seen as the employer of first choice as well as that of last resort. Public sector reforms and policies to encourage privatization and to support private sector development introduced in the recent past in a number of countries in the region have not succeeded in drastically changing this pattern. The public sector remains the major employer in the region. According to 2004 data, in the Middle East and North Africa region, the public sector represented some 29% of total share in employment, or the salaries and wages paid some 38% of current expenditures, in sharp contrast to other countries in the world. This is almost the double of the world average (excluding China). The corresponding figures for Korea are 4.5% and 16.3% respectively, for Brazil 11.5% and 25.1% and for Mexico 16.4% and 19.2% (Table1).

19. Variations across countries in the Region have to be taken into account however .The significantly low share of the public sector in Morocco (10%) is to be distinguished from 30 to 40% on average at the other extreme for the GCC States.

20. While recent data are scarce and not available for all countries the region, there are indications that in some countries (Algeria, Egypt, Jordan, Yemen for example), the public sector employment growth rate may have been slowing down.

Table 1: Public Sector Share in Employment
Source: World Bank, MENA 2005 Economic Developments and Prospects (2005)

	Public Sector as a Share of Total Employment, 2000	Public Sector Wages and Salaries as a Share of Current Expenditure, 2004
MENA	**29.0**	**37.9**
Algeria	29	31.1
Bahrain	28	63.7
Egypt	29	29.2
Iran	28	37.8
Jordan	44	27.5
Kuwait	93	40.5
Libya	66	
Morocco	10	50.8
Saudi Arabia	79	
Tunisia	22	62.9
EAST ASIA PACIFIC	**33.8**	
China	36.0	
Korea	4.5	16.3
Philippines	5.2	
AMERICAS		
Brazil	11.5	25.1
Colombia	8.4	14.5
Ecuador	13.8	44.6
Guatemala	14.9	
Mexico	16.4	19.2
OECD	**13.5**	
Canada	17.5	8.2
Germany	12.3	
Japan	7.7	
Spain	15.2	
United Kingdom	18.9	
United States	14.6	7.8
WORLD	**27.0**	
Excluding China	18.2	

21. The reasons behind the predominant role of the public sector for job creation in the Arab region are multiple. It is a fact that in the context of high levels labour force growth, expectations and social pressure remain high for the public sector to continue to play its role as the major employer and provider of better quality jobs and conditions of work. Indeed, unlike other regions in the world, wages, conditions of work, non-wage benefits and the prestige of public sector jobs remain far superior to those offered in the private sector. This is particularly important for the educated youth who queue for years in the hope of obtaining government jobs, a significant portion of the unemployed and of “discouraged workers”.

22. It is even of greater significance for promoting gender equality in the region. The increasing labour force participation of women and the persistence of high unemployment rates-often double than the male unemployment rate – were noted above. The availability of maternity leave, childcare facilities, flexible work hours and the lower wage disparity between men and women in the public sector are strong pull factors for women's persistent preference foe public sector's jobs. In contrast, the limited dynamism of the private sector in terms of job creation as well as its record in the conditions of jobs offered limited the efficient allocation of human resources and lead to the current height turn over and low productivity in the private sector establishments.

23. One policy conclusion from the limited impact of the current public sector reforms is that these should be undertaken in tandem with policies that improve wages and conditions of work in the private sector and introduce safety nets. Taking a high decent work road – to growth and employment and private sector development is proving more effective and sustainable as country experiences in the Region show.

3.6 Labour Migration for Employment in and outside the Region

24. Another characteristic feature of the employment challenge in the region is the high incidence of migration. Labour migration is intimately associated with employment and labour market developments in the Region. In a number of countries, deficits in employment or in decent terms and conditions of work lead parts of their labour forces to seek work in external labour markets, in the region or outside. This out-migration is experienced by countries in North Africa as well as to varying degrees by Iraq, Jordan, Lebanon, Palestine and Syria.

25. In other countries, particularly members of the GCC, the operation of labour markets and systems of production and exchange, the small size of the domestic labour force, high oil revenues, create demand for migrant labour. In these immigration countries, the volumes of migrant labour have continuously increased, in absolute terms, as well as relative to national labour forces. Migrant labour represents some 60 to 90% of total employment in GCC and some 20% in Lebanon.

26. There is also a high and growing representation of female migrants amongst international migrants. It is noteworthy that, at the same time, since the mid-1970s, the share of workers from Arab countries of origin, in migrant labour in the GCC countries has continuously decreased. From over 70 per cent in the mid-1970s, it dropped to some 30 per cent in the first half of the years 2000s. Jordan and Lebanon have become at the same time countries of origin and of destination.

27. When they have not met demand for migrant labour in GCC member countries, Arab migrant workers responded to demand, especially, in Western European countries. They filled low- and medium skilled jobs but they also took up highly-skilled employment. The League of Arab States (LAS) has estimated at 450.000 of highly-skilled workers from Arab countries residing and working outside the region. All development theories agree on the importance of human capital for development. Hence, the impact of the migration of highly-skilled Arab workers, "brain drain", on prospects of development in their countries of origin needs to be emphasized.

28. In GCC countries of destination, the increasing numbers of foreign workers, especially from South and South East Asia, are employed in essentially low-skilled, low-valued added, low-wage jobs in the private sector. Construction, wholesale trade and hotels and restaurants are the branches of economic activity that have particularly employed migrant workers.

29. Labour out-migration from Arab countries of origin has not dissipated pressures on their labour markets. In GCC countries of destination, increased labour immigration has coexisted with rising unemployment among national workers, especially university graduates. The clear segmentation of labour markets, with nationals essentially employed in the public sector and migrant workers in the private sector indicates that, in the present situation, labour migration is not a significant cause for the unemployment of nationals.

30. GCC countries have expressed their wish to reduce their dependence on foreign labour. In order to achieve this objective and to promote the employment of national graduates of the educational systems, administrative quotas have shown limited effectiveness. Segmentation should be overcome and the integration of labour markets needs to be realized. This integration passes through the improvement in terms and conditions of employment in private sectors so as to attract national workers to jobs they offer. This improvement in terms and conditions of work will also benefit migrant workers. The premise, naturally, is that needs for migrant labour will persist for the foreseeable future.

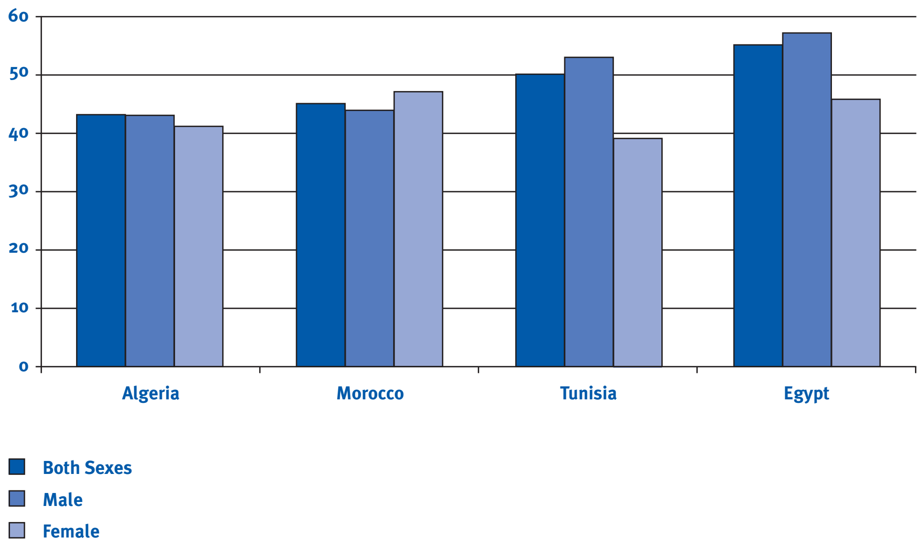
31. Managing labour migration in all its dimensions should therefore be seen as an essential component of the employment strategy.

3.7 Low Productivity, Expanding Informal Economy?

32. It is well established that unemployment rates provide only a partial picture of the overall employment situation in the developing country context. This holds true for Arab countries as well. Underemployment, work in the informal economy or "working poor" are other concepts that aim to capture the low quality of employment and /or decent work deficits that affect a large number of the employed. While poverty rates remain overall low in the region in comparison to other developing regions, they are particularly daunting in some countries, for certain segments of the population and exacerbated in situation of conflicts.

33. The term informal "economy", instead of "sector", has been proposed at the 2002 ILO Conference[5], in order to better capture the complex and diverse realities of the underemployed and of "working poor". The informal economy represents the great proportion of the employed in the region and a significant portion of the private sector employment. It is composed of micro and small businesses as well as casual and precarious wage employment, with low and insecure wage and incomes experiencing serious deficits in conditions of work and in access to social protection. Data available for four countries in North Africa show the extent of the phenomenon ranging between 40 to 80% of non-agriculture employment in the region (Figure 8).

Figure 8: Informal Economy Employment as Percentage of Non-Agricultural Employment
Source: ILO, Women and Men in the Informal Economy, 2002



5 Resolution and Conclusions concerning decent work and the informal economy, adopted on 19 June 2002, International Labour Conference, 90th Session, Geneva, 2002.

34. The slow productivity growth in the 1997-2007 period suggests that bulk of new jobs are created in the informal economies, particularly in agriculture and the lower end of the services sector. While more detailed data and analysis are needed, it is clear that the informal economy can no longer be considered a transient phenomenon. It has been expanding in the last decades including in countries that experience high economic growth rates and integration in the global economy.

35. In spite of low productivity and serious decent work deficits, the informal economy, nevertheless plays an important role in the livelihood of millions, and represents a potentially important source of entrepreneurship and job creation. To unleash this potential and to improve overall productivity and competitiveness, comprehensive measures are needed to facilitate transition of informal activities to formal and mainstream economy. Priorities for action require a closer examination of the dynamics of formality and informality in specific country contexts, channelling of investment for infrastructures and for providing accessible public and business services that aim at upgrading the informal economy and its integration. The range of measures and the international good practices documented by the ILO can inspire action in the Region.[6]

---

6 See ILO,2007. The Informal economy: enabling transition to formalization, Geneva,. http://www.ilo.org/public/english/employment/policy/events/informal/materials.htm

4. Vision for Employment and Decent Work in the Arab Region: Policy Responses Within the 2020 Horizon

36. The population in the region is maturing- nevertheless between now and 2020, population growth will continue to exert pressure on labour markets. The region will face a big challenge of creating some 70 million jobs to absorb new entrants to the labour markets , to curb the unemployment rate, to include "the discouraged workers" and equally important to improve the quality of jobs and overall productivity. [7]

37. The challenge of employment and decent work remains significant even if the high growth rates are sustained, in spite of and beyond the current financial turmoil and prospects of economic slowdown. Migration alone, as important feature of Arab labour markets as is- will not solve the problem. Most of the jobs need to be generated through the dynamism of national economies and added incentives of regional integration. Skills development, entrepreneurship and sustainable enterprise development, innovation and sound labour market governance are key to the private sector's improved role in job creation.

38. Recent performance shows that a number of countries in the region have been able to reap the benefits of high growth and translate that into increased employment opportunities. Advances in education and skills development are noteworthy. **The preceding review has pointed out to two priority areas for policy attention: first, the need for pro-active comprehensive and coordinated policies for employment; and secondly, the requirement of removing multiple dimensions of labour markets' segmentation.**

39. **Proactive and comprehensive employment policies.** To deliver on the commitments made by the countries in the region in Bussan (2006) and Addis Ababa (2007), country specific employment strategies and decent work goals need to be put in place and supported by effective and sustained measures over time.

40. While all countries in the region have put in place some type or often a range of unconnected targeted employment and/or training programmes, few countries have developed a clear vision and a comprehensive and proactive strategy that delivers on the employment and decent work goals at the country level and in the region, taking account of the integration in the global economy and the increasing search of competitiveness.

41. The vision for decent work entails a turn around in the current policy frameworks and priorities. It is important that employment becomes a central goal and criteria for assessing the overall performance at the country level. This entails a systematic assessment of the employment impact of investments (domestic and foreign, public and private), a conducive incentives policy including fiscal incentives for higher employment generation and improved productivity. A better analysis of sectoral policies in the tradable and non tradable sectors and appropriate strategies to maximize their employment potential. The adoption of counter cyclical policies especially in the context of countries in or recovering from conflict and crises, are important to boost jobs, incomes and safety nets especially for the population in the lowest income groups.

42. The 2008 ILO Declaration on Social Justice for a Fair globalization underscored the need for "making employment a central goal of economic and social policies" and not their residual

[7] The estimates are a function of labour force participation rates which can not be forecasted with precision and vary according to numerous factors ranging from wage levels to non wage expectations and other factors.

outcome. The 10 core elements of the Global Employment Agenda (2003) provide a policy platform and menu for action to adapt to local diverse realities of the region. Such a vision of decent work and of pro-active employment policies cut across several policy domains and institutional responsibilities- therefore consistency and coherence of action amongst policy areas, sustained action over time, and effective coordination mechanisms intra government and through public/private partnerships are key to success.

43. **Facilitating labour market fluidity and removing segmentation.** To ensure effectiveness and inclusiveness of the employment outcomes of development strategies, labour market policies and institutions play an important intermediation role. It is essential that this role is better understood and institutions are developed and reformed in order to fulfil their twin functions of bringing about more efficiency and equity.

44. As the preceding analysis in Section 2 showed labour markets in the region, remain by and large, highly segmented along the lines of public vs. private sector employment; formal vs. informal; gender, age and national /foreign labour criteria. This high degree of segmentation is the result of a combination of factors starting from past developmental strategies, social norms and sociological characteristics to sheer neglect. Isolated operations of these segmented markets hamper the achievement of the very developmental and economic goals that countries have assigned themselves in addition to generating unmet expectations by an increasing part of the population. For achieving the decent wok vision, removal of labour market segmentation should become an objective of labour market policies, and placed high on the reform agenda in the region, both the economic reform and governance reform.

45. Segmentation means that the conditions of access and terms of employment are fundamentally different in different labour markets making mobility extremely difficult. This particularly hampers the mobility of labour, matching demand with supply as economic opportunities arise and absorbing newcomers into the labour markets. Dedicated thematic issues papers prepared by the ILO for the Forum provide a closer look at the policies and good practices that remove the segmentation in order to boost the prospects for youth, to create the conditions for Sustainable enterprise Development thus increasing and improving private sector's role and ability to create more and better jobs. The paper and the key elements for improving labour market governance from a rights-based perspective in the region. Bridging the gender gap is possible through sustained and multi-dimensional action with a particular focus on discriminating factors of the cost of maternity protection and accessibility of child care facilities. A clearer focus on the quality of jobs and improving productivity means the development of context specific and cross cutting measure that facilitate the transition of informal activities into the mainstream economy and direct access o financial, training, protection and other developmental resources. Finally, managing migration in an efficient, responsible and equitable manner is part and parcel of employment strategies in the region. In all these domains, good practices in the region and elsewhere in the world should inspire further action on amore significant level. **Development of regional knowledge network and platform can support such action.**

46. Finally, a decent work vision means taking a high road for integrating in the global economy and increased competitiveness. While the potential of regional integration and global integration in the region is largely underdeveloped and presents new promising perspectives for growth and development, delivering on more and better jobs by the 2020 horizon requires an integrated perspective on the four strategic objectives of the decent work agenda i.e. employment, rights including Fundamental rights at work, extension and increasing inclusiveness of social protection and promoting the culture and practice of social dialogue as a modality for discussing policy alternatives and options.

5. Selected Questions for Discussion and Debate:

1. What policies effectively support high growth strategies and the creation of decent work opportunities? What measures underlie the "success" stories in the region? What can be the regional and country goals and targets?
2. What are the prospects for increased regional integration and how could this process lead to more and better employment opportunities?
3. What policies boost investment (domestic and FDI) in a manner that is employment intensive and that raises productivity? What opportunities for public and private partnerships?
4. What targets and measures for improving productivity in the region?
5. What are the good practices that can facilitate transition of informal economy into formal?
6. What are the mechanisms for coordination, coherence and for social dialogue?
7. How can regional cooperation support the adoption of proactive policies, initiation of key programmes and exchange of good practices?

Annex- Labour Market and Employment Trends in the Arab Region

1. This statistical overview aims to provide a comprehensive picture of labour market and employment trends in the Arab region using the latest data available and estimating trends by applying the ILO methodology on labour market indicators[8]. An expanded version of the Social and Labour Markets Trends in Arab countries is under preparation and will be published by ILO in early 2009.

2. This regional overview shows that in spite of the diversity of the countries within the region, some common labour market trends can clearly be established. Given that in many countries, an extensive analysis of the labour market is difficult due to the lack of data; regional trends are interesting points of reference within the region as well as in comparison to other regions in the world.[9]

3. In this Annex, seven key indicators are analysed from this twin perspective. These include: population, labour force, employment, unemployment, sector of employment, status of employment and labour productivity. Whenever possible, the analysis is done for sub-groups of the population such as women and men and young people. As a matter of fact three of the four indicators specifically calculated for the Arab region are indicators that were chosen to measure progress towards the new Millennium Development Target of “full and productive employment and decent work for all”.[10] The four indicators are: employment-to-population ratios; vulnerable employment shares; productivity growth and working poverty shares. [11]

---

[8] The less data is available, the more difficult it becomes to come up with estimates that are representative of the region as a whole. Consequently the modelling exercise which is done to estimate regional indicators remains limited to indicators where regular and comparable data is available for the majority of countries in the region. Taking this as the criteria, the indicators estimated for the Arab region are: working-age population, youth population, labour force and labour force participation rates disaggregated by age and sex, total employment and employment-to-population ratios disaggregated by age and sex, total unemployment and unemployment rates disaggregated by age and sex, status of employment shares, vulnerable employment shares, sectoral employment shares and productivity levels. All indicators were estimates for the period between 1997 and 2007.
The regional estimates were calculated using the Global Employment Trends Model, a sophisticated econometric model developed by the ILO. This model takes all real labour data available for a region plus data on economic and social trends to a) fill the data gaps and b) calculate based on this filled matrix of country level data regional numbers of the key indicators of the labour market. For technical details see Annex 1 of ILO, Global Employment Trends for Youth 2008, October 2008. Extended information on the methodology can also be found on http://www.ilo.org/public/english/employment/strat/wrest.htm

[9] 2007 are still preliminary numbers and are could be revised at a later point in time when more real data for this year is available.

[10] For details and the history of this new target see: ILO, Key Indicators of the Labour market, 5th edition, Geneva 2007, chapter 1.

[11] It is only the latter that is not used here given that working poverty shares at the US$ 1 a day level are comparatively low in the region. In the Global Employment Trends (January 2008), it was estimated that the share of people working but still living with their families in poverty with less than a dollar per day per family member in the total number of people working (the “working poor share”) was less than 3 per cent in North Africa as well as in the Middle East.

Key Labour Market Indicators

1. Demographic Trends

4. Overall the working age population in the Arab region was 216 million people in 2007. Thereby the region counts for 4.5 per cent of the world's working-age population. With 67 million young people, the region counts for 5.6 per cent of the world's youth population, an indication of the youth rich population structure.

5. Total working-age population has grown by 33.5 per cent between 1997 and 2007. This increase was driven by the increase of the working age population in the Middle East which was 39.0 per cent in comparison with 29.1 per cent in North Africa. Youth population increased by 24.2 per cent, more so in the Middle East (32.3 per cent) than in North Africa (18.9 per cent). The difference between the two regions can be explained by the fact that the observed decline in fertility rates started later in the Middle East than in North Africa.[12] In spite of this decline, the working-age population as well as a youth population have been growing faster than anywhere else in the world with the exception of sub-Saharan Africa (Table 1).

---

[12] The Arab region includes 22 countries: Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Occupied Territories, Oman, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, United Arab Emirates and Yemen. The estimates for the Arab region include, whenever possible, all 22 countries and were specifically produced for this publication. The list of countries of North Africa and Middle East (taking the ILO list of countries within each region, see e.g. Global Employment Trends January 2008 for the grouping) is not completely identical to the Arab region which is why the total numbers of the two regions do not add up.

Table 1: Total Working Age Population and Youth Population, World Region
Source: ILO, Trends Econometric Models, April 2008; See Annex 1 of ILO, Global Employment Trends for Youth 2008, October 2008 for Information on the Methodology

Total Working Age Population ('000s)	1997	2007	Change Between 1997-2007
WORLD	4044 961	4819 790	19.2
Developed Economies & European Union	771 799	831 700	7.8
Central & South-Eastern Europe (non-EU) & CIS	278 538	300 523	7.9
Asia & the Pacific	2136 311	2586 180	21.1
Latin America & the Caribbean	333 452	404 946	21.4
Sub-Saharan Africa	329 910	435 615	32.0
Arab Region	**161 843**	**215 988**	**33.5**
North Africa	102 539	132 406	29.1
Middle East	92 411	128 419	39.0
Youth Population ('000s)			
WORLD	1045 153	1192 045	14.1
Developed Economies & European Union	129 934	129 161	-0.6
Central & South-Eastern Europe (non-EU) & CIS	61 229	65 774	7.4
Asia & the Pacific	572 954	653 068	14.0
Latin America & the Caribbean	97 643	104 546	7.1
Sub-Saharan Africa	117 665	157 100	33.5
Arab Region	**54 163**	**67 249**	**24.2**
North Africa	33 963	40 369	18.9
Middle East	31 766	42 027	32.3

2. Trends In Labour Force And Labour Force Participation

6. With 51.0 per cent, labour force participation rates [13] in the region are the lowest in the world, resulting from the very low participation rates for women. In 2007, only 2.5 out of every 10 women were active in labour markets, in other words, more than 7 out of 10 women were inactive. For men the figures are the opposite: of 10 men at working age, 7.5 are active and 2.5 are inactive (see figure 2 and 3 and table 2). Labour force participation rates for women are slightly higher in North Africa than in the Middle East, the region with the lowest female labour force participation rate in the world. Estimates for female labour force participation rates on the country level vary between 10.4 per cent in the Occupied Territories and 59.1 per cent in Somalia. The variations for male rates are also considerable; they range from 66.4 in the Occupied Territories up to over 90 per cent in

[13] The labour force is the sum of the employed and the unemployed. These are the two groups that are considered to be "active" in labour markets. The labour force participation rate is calculated by taking these active people and dividing this number by the total number of people at working age. The calculated labour force participation rate indicates how many people are active within the entire working age population. The counter-piece is the inactivity rate which is all people not active in labour markets as a share of the working age population. This number gives a first indication of the human potential the economy does not use. One has to be careful though, as persons enrolled in education and those voluntarily not engaged in labour markets are also considered inactive. There is no "correct" labour force participation rate but there are rates that can be identified as being too high (which is often the case in poor countries where all people have to work in order to survive and take up any job available) or too low. The industrialized economies are taken as a reference point.

Somalia (all estimates are for 2006).[14]

7. During the past decade however, the labour force participation rate for women has increased steadily (see table 2). This is true for 17 out of the 22 countries in the region. The highest increase of female participation rates was observed in Libya, United Arab Emirates, Algeria and Kuwait.

Table 2: Labour Force and Labour Force Participation Rates
Source: ILO, Trends Econometric Models, April 2008; See Annex 1 of ILO, Global Employment Trends for Youth 2008, October 2008 for Information on the Methodology

	Labour Force ('000s)		Labour Force Participation Rate (%)		Inactivity Rate (%)	
Total	**1997**	**2007**	**1997**	**2007**	**1997**	**2007**
WORLD	2662 056	3131 338	65.8	65.0	34.2	35.0
Developed Economies & European Union	469 047	503 533	60.8	60.5	39.2	39.5
Central & South-Eastern Europe (non-EU) & CIS	167 747	175 677	60.2	58.5	39.8	41.5
Asia & the Pacific	1485 421	1743 238	69.5	67.4	30.5	32.6
Latin America & the Caribbean	209 077	268 150	62.7	66.2	37.3	33.8
Sub-Saharan Africa	233 287	308 043	70.7	70.7	29.3	29.3
Arab region	**81 661**	**110 103**	**50.5**	**51.0**	**49.5**	**49.0**
North Africa	51 424	67 031	50.2	50.6	49.8	49.4
Middle East	46 052	65 667	49.8	51.1	50.2	48.9
Male						
WORLD	1597 372	1847 516	79.0	76.8	21.0	23.2
Developed Economies & European Union	264 485	278 039	70.8	68.9	29.2	31.1
Central & South-Eastern Europe (non-EU) & CIS	92 150	96 012	70.3	68.1	29.7	31.9
Asia & the Pacific	900 604	1045 122	82.5	79.3	17.5	20.7
Latin America & the Caribbean	132 037	157 538	80.9	79.9	19.1	20.1
Sub-Saharan Africa	132 455	172 019	81.9	80.2	18.1	19.8
Arab region	63 486	82 336	76.7	74.7	23.3	25.3
North Africa	38 792	48 439	76.0	73.6	24.0	26.4
Middle East	36 849	50 348	75.9	75.0	24.1	25.0
Female						
WORLD	1 064 684	1283 822	52.6	53.2	47.4	46.8
Developed Economies & European Union	204 562	225 494	51.3	52.7	48.7	47.3
Central & South-Eastern Europe (non-EU) & CIS	75 597	79 665	51.2	50.0	48.8	50.0
Asia & the Pacific	584 817	698 116	56.0	55.0	44.0	45.0
Latin America & the Caribbean	77 041	110 612	45.2	53.2	54.8	46.8
Sub-Saharan Africa	100 832	136 024	59.9	61.5	40.1	38.5
Arab region	**18 175**	**27 767**	**23.0**	**26.3**	**77.0**	**73.7**
North Africa	12 631	18 592	24.5	27.9	75.5	72.1
Middle East	9 204	15 319	21.0	25.0	79.0	75.0

[14] ILO, Key Indicators of the Labour Market 5th Edition, Geneva 2007. When a country does not provide real data on labour force participation rates, the ILO estimates a rate based on an econometric model. See footnote for the tables for more details and Economic and Steve Kapsos, World and regional trends in labour force participation: Methodologies and key results, ILO Labour Market Papers, International Labour Office, Geneva, 2007.

Figure 1: Labour Force and Inactivity as Shares of Total Working Age Population, Arab Region, 2007
Source: ILO, Trends Econometric Models, April 2008; See Footnote 5 for a Definition of the Arab Region.

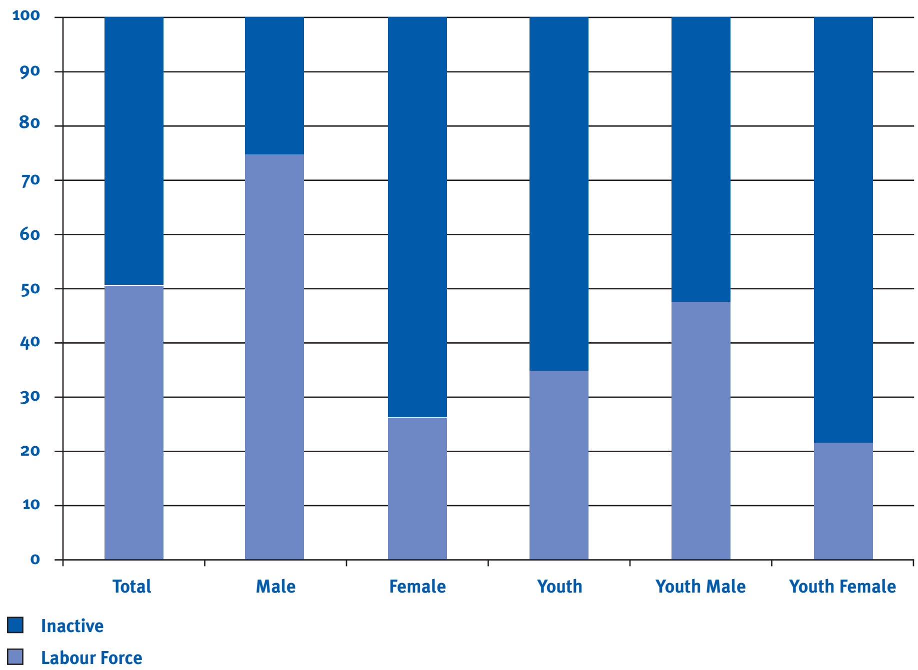
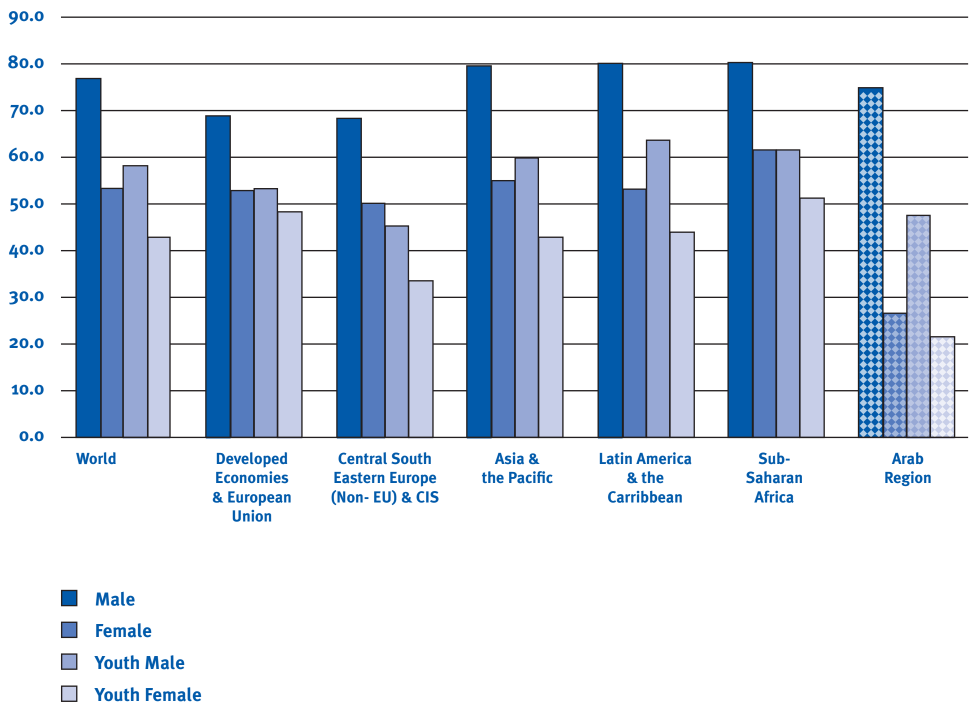


Figure 2:Labour Force Participation Rates, 2007,
Source: ILO, Trends Econometric Models, April 2008; See Footnote 5 for a Definition of the Arab Region.



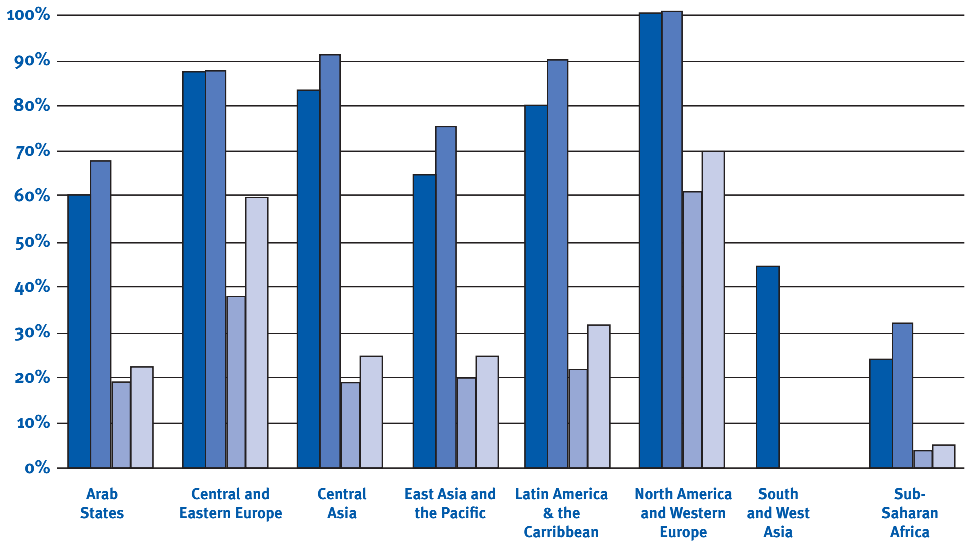
8. Young people in general have a lower participation rate than adults because at least a certain part of them should be in education (thereby counted as inactive). Taking the Developed Economies & EU region as a reference point one can see the Arab region's challenge: while the labour force participation rate for young men (47.8 per cent in 2007) is very close to the one in the Developed Economies & EU (53.3 per cent), the labour force participation rate for young women is far too low, 21.4 per cent in 2007 in comparison with 48.4 per cent in the Developed Economies & EU. This figure indicates that out of every 10 young women only 2 are active and 8 are inactive. In Qatar, the Occupied Territories and Saudi Arabia labour force participation rates for young women are estimated to be below 10 per cent.

9. Over time, labour force participation rates of young men have decreased whereas those of young women have increased (see table 3). The decrease in the participation rates of young men can mainly be explained by their increased enrolment in education especially at secondary level. Educational attainment of young women has increased as well (see table 4) but even more young women entered labour markets their, leading to a rise in their labour force participation rates over time.

Table 3: Gross Enrolment Ratios, World Regions
Source: Unesco,http://stats.uis.unesco.org/unesco/tableviewer/tableview.aspx?reportid=182, and http://stats.uis.unesco.org/unesco/tableviewer/tableview.aspx?reportid=167
The unesco regions are not identical to the regions used in the report, for a list of countries included in each region see source above.

Gross Enrolment Ratios	Secondary Total		Secondary Male		Secondary Female		Tertiary Total		Tertiary Male		Tertiary Female	
YEAR	1999	2006	1999	2006	1999	2006	1999	2006	1999	2006	1999	2006
Arab States	60.1	67.8	63.5	70.4	56.5	65.1	19.1	22.0	21.8	22.0	16.2	22.0
Central and Eastern Europe	87.4	87.7	88.1	89.4	86.7	86.0	37.8	59.6	34.6	53.0	41.0	66.4
Central Asia	83.4	91.4	84.3	93.3	82.4	89.6	18.4	24.7	19.1	23.5	17.8	25.8
East Asia and the Pacific	64.8	75.2	...	75.0	...	75.5	13.8	24.6	15.7	25.3	11.7	23.9
Latin America and the Caribbean	80.3	89.4	77.7	86.3	83.1	92.6	21.5	31.3	20.3	29.1	22.7	33.6
North America and Western Europe	100.4	100.7	100.8	100.9	100.0	100.6	61.2	69.7	54.9	60.1	67.8	79.9
South and West Asia	44.5	...	50.5	...	38.0	...	...	10.9	...	12.3	...	9.4
Sub-Saharan Africa	23.8	31.8	26.1	35.4	21.4	28.2	3.7	5.2	4.4	6.2	2.9	4.2

Figure 3: Enrolment Rates
Source: See Table 4



3. Employment Trends

10. A closer look at the components of the labour force – the employed and the unemployed – shows the following trends over the last decade.[15]

11. While the working-age population increased by 24.2 per cent between 1997 and 2007, employment increased by 37.7 per cent during the same period. This explains the upward shift in the employment-to-population-ratio from 44.5 per cent in 1997 to 45.9 per cent in 2007. Women have profited much more from the job increase than men: jobs for women increased by 56.5 per cent whereas for men the increase was only 32.6 per cent. This has reduced the gap between women's and men's employment-to-population ratios, but the gap is still the largest in comparison to regions of the world. Women have an employment-to-population ratio of only 22.7 per cent which is significantly lower than 68.2 per cent for men. (See table 5 and figure 4).

12. Country variations are considerable: female employment-to-population ratios for Somalia, Comoros and Mauritania are estimated to be more than 50 per cent. Lowest rates, however, have been estimated for the Occupied Palestinian Territories, Iraq, Egypt and Saudi Arabia with rates below 20 per cent.[16] As expected, male rates are much higher than female ones ranging from 48 per cent in the Occupied Territories up to 90.7 per cent in the United Emirates.

---

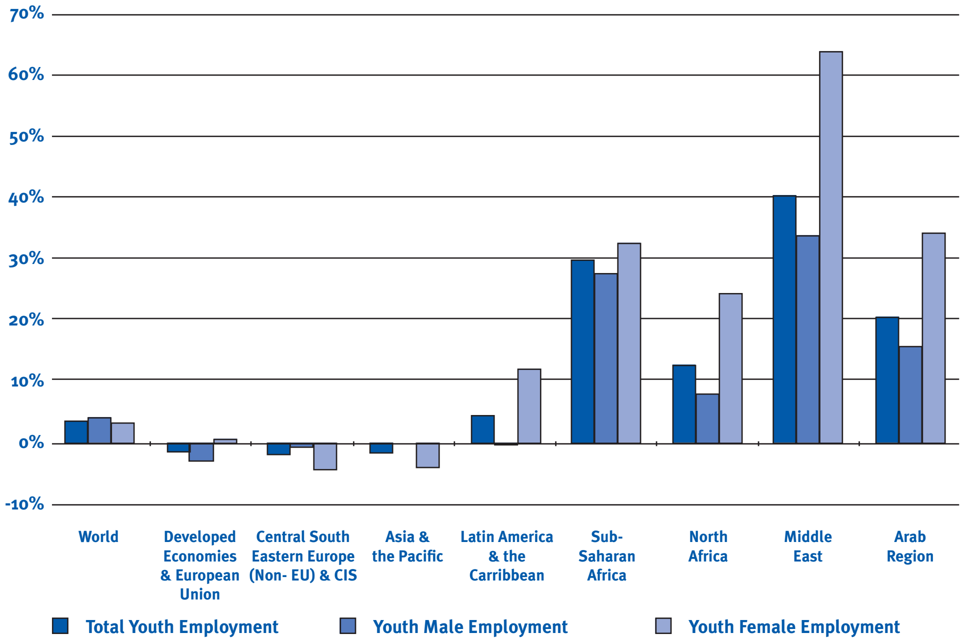
[15] Employment trends can best be analysed by using the development of the total number of employed as well as the employment-to-population ratios. As described in the ILO publication "Key Indicators of the Labour Market" employment-to-population ratios indicate the efficiency of an economy to provide jobs for those who want to work. Employment-to-population ratios express the number of people in employment as a percentage of the population for the corresponding age group (either 15 years and over or youth). There is no "correct" employment-to-population ratio, but there are certain "benchmarks" and favourable trends that have a positive impact on reducing decent work deficits in the short and long run. For example: 1) ratios should be lower for youth than for the overall population as more young people (as a share of their age group) participate in education in comparison with adults. Also, a reduction of employment-to-population ratios for young people can be seen as a positive sign if this is caused by an increase of them in education. 2) Efforts to increase employment-to-population ratios are needed when unemployment is very high in a country (indicating that people are looking for work but not finding it). 3)Efforts to increase ratios are also needed whenever they are low as a result of discouragement (indicating that people have probably given up hope of finding a job).4) Ratios for women can be lower than those for men as long as this is the result of women voluntarily staying at home and not participating in labour markets. However, if the difference is the result of involuntarily low labour force participation for women, ratios should increase over time. 5) On the other hand, employment-to-population ratios should not be too high. Ratios above 80 per cent, for instance, often occur in very poor countries and usually indicate an abundance of low quality jobs. 6) In addition, increases in employment-to-population ratios should be moderate as sharp increases could be the result of decreases in productivity.

[16] ILO, Key Indicators of the Labour Market, 5th Edition, Geneva 2007.

Table 4: Employment and Employment-to-Population Ratios
Source: ILO, Trends Econometric Models, April 2008; See Annex 1 of ILO, Global Employment Trends for Youth 2008, October 2008 for Information on the Methodology

	Employment ('000s)		Employment-to-Population Ratio (%)		Change Between
Total	**1997**	**2007**	**1997**	**2007**	**1997 - 2007**
WORLD	2 511 131	2 953 835	62.1	61.3	17.6
Developed Economies & European Union	434 054	473 119	56.2	56.9	9.0
Central & South-Eastern Europe (non-EU) & CIS	149 144	160 072	53.5	53.3	7.3
Asia & the Pacific	1433 833	1668 542	67.1	64.5	16.4
Latin America & the Caribbean	193 123	249 001	57.9	61.5	28.9
Sub-Saharan Africa	215 051	283 901	65.2	65.2	32.0
Arab region	**72 044**	**99 190**	**44.5**	**45.9**	**37.7**
North Africa	45 089	59 996	44.0	45.3	33.1
Middle East	40 837	59 205	44.2	46.1	45.0
Male					
WORLD	1 511 137	1 746 108	74.8	72.6	15.5
Developed Economies & European Union	246 134	261 971	65.9	64.9	6.4
Central & South-Eastern Europe (non-EU) & CIS	82 131	87 363	62.7	61.9	6.4
Asia & the Pacific	868 589	998 805	79.5	75.8	15.0
Latin America & the Caribbean	124 056	148 709	76.0	75.4	19.9
Sub-Saharan Africa	122 526	159 073	75.8	74.1	29.8
Arab region	**56 687**	**75 161**	**68.5**	**68.2**	**32.6**
North Africa	34 477	44 009	67.5	66.9	27.6
Middle East	33 225	46 176	68.4	68.7	39.0
Female					
WORLD	999 993	1207 728	49.4	50.0	20.8
Developed Economies & European Union	187 921	211 148	47.2	49.3	12.4
Central & South-Eastern Europe (non-EU) & CIS	67 013	72 709	45.4	45.6	8.5
Asia & the Pacific	565 244	669 737	54.1	52.8	18.5
Latin America & the Caribbean	69 067	100 291	40.6	48.3	45.2
Sub-Saharan Africa	92 525	124 828	55.0	56.5	34.9
Arab region	**15 356**	**24 030**	**19.4**	**22.7**	**56.5**
North Africa	10 612	15 986	20.6	24.0	50.6
Middle East	7 612	13 029	17.4	21.3	71.2

Figure 4: Percentage Changes Between 1997 and 2007 in Youth Employment
Source: ILO, Trends Econometric Models, April 2008; See Footnote 5 for a Definition of the Arab Region



13. Young people too have benefited from job growth. Employment growth for young people has been the largest in the Middle East (relative to all other regions), also North Africa has seen youth employment increase considerably (see figure 5). In the Middle East, jobs for young women have increased by an impressive 64.0 per cent. Again, in both sub-regions, young women profited more than young men. Still, while the youth population grew by 24.2 per cent (18.9 per cent in North Africa and 32.3 per cent in the Middle East), the employment number for young people only grew by 20.1 per cent. Sub-regional differences in job creation for young people were huge with an increase of jobs for young people of only 12.2 per cent in North Africa and of 40.3 per cent in the Middle East. Thereby the job creation was smaller than the youth population increase in North Africa but much higher in the Middle East. As is the case with the overall employment-to-population ratios, the ratios for the youth point out at a decreasing gender gap however the female employment-to-population ratio continues to be the lowest in the world: out of 10 young women in the Arab region only 1.5 have a job compared to 4 out of every 10 young men.

Table 5: Youth Employment and Youth Employment-to-Population Ratios
Source: ILO, Trends Econometric Models, April 2008; See Annex 1 of ILO, Global Employment Trends for Youth 2008, October 2008 for Information

	Employment ('000s)		Employment-to-Population Ratio (%)		Change Between
Total Youth	**1997**	**2007**	**1997**	**2007**	**1997 - 2007**
WORLD	514 043	530 821	49.2	44.5	3.3
Developed Economies & European Union	58 648	57 581	45.1	44.6	-1.8
Central & South-Eastern Europe (non-EU) & CIS	21 710	21 198	35.5	32.2	-2.4
Asia & the Pacific	308 832	302 776	53.9	46.4	-2.0
Latin America & the Caribbean	46 170	48 023	47.3	45.9	4.0
Sub-Saharan Africa	60 315	78 189	51.3	49.8	29.6
Arab region	**15 313**	**18 392**	**28.3**	**27.3**	**20.1**
North Africa	9 686	10 872	28.5	26.9	12.2
Middle East	8 683	12 182	27.3	29.0	40.3
Male Youth					
WORLD	302 932	313 491	56.7	51.3	3.5
Developed Economies & European Union	31 854	30 729	48.0	46.5	-3.5
Central & South-Eastern Europe (non-EU) & CIS	12 522	12 460	40.3	37.3	-0.5
Asia & the Pacific	181 419	181 161	61.4	53.4	-0.1
Latin America & the Caribbean	29 603	29 522	60.5	56.4	-0.3
Sub-Saharan Africa	33 762	43 039	57.5	54.7	27.5
Arab region	**11 542**	**13 343**	**41.7**	**39.0**	**15.6**
North Africa	6 999	7 530	40.6	36.8	7.6
Middle East	6 774	9 050	41.4	42.0	33.6
Female Youth					
WORLD	211 111	217 330	41.3	37.4	2.9
Developed Economies & European Union	26 794	26 853	42.1	42.5	0.2
Central & South-Eastern Europe (non-EU) & CIS	9 188	8 738	30.4	27.0	-4.9
Asia & the Pacific	127 414	121 615	45.9	38.7	-4.6
Latin America & the Caribbean	16 566	18 501	34.0	35.5	11.7
Sub-Saharan Africa	26 553	35 151	45.0	44.9	32.4
Arab region	**3 771**	**5 049**	**14.2**	**15.3**	**33.9**
North Africa	2 688	3 342	16.0	16.8	24.4
Middle East	1 909	3 131	12.4	15.3	64.0

4. Unemployment Trends

14. What has been the impact of increasing labour force and rapidly growing employment on unemployment? The overall unemployment rate [17] continues to be the highest in the world

[17] The unemployment rate is calculated as the share of people in the labour force who did not work for more than one hour but were looking for work during the reference period (the unemployed). This is the internationally agreed upon ILO definition. For more details see ILO, Key Indicators of the Labour Market, 5th Edition Geneva 2007.

with 9.9 per cent in 2007, with an unemployment rate in North Africa of 10.5 per cent and in the Middle East of 9.8 per cent. The unemployment rate has seen a moderate decrease over the last decade. (See table 7 and figure 6).

15. The data also show that it remains more difficult for women to find a job than for men despite the fact that fewer women are active in labour markets. Out of the 12 countries with more recent data on unemployment rates, 10 have a higher unemployment rate for women than for men. In the case of Egypt and Syria, the percentage point difference between male and female rates is more than 15. Such a difference may easily discourage women and result in them dropping out of the labour force thereby taking away the progress that has been made in lowering female inactivity. This would be a huge loss of investment allocated into female education. Female unemployment rate stood at 13.5 per cent in 2007 in comparison to 8.7 per cent for men for the region as a whole.

Table 6: Unemployment and Unemployment Rates
Source: ILO, Trends Econometric Models, April 2008; See Annex 1 of ILO, Global Employment Trends for Youth 2008, October 2008 for Information on the Methodology

	Unemployment ('000s)		Unemployment Rates (%)	
Total Youth	**1997**	**2007**	**1997**	**2007**
WORLD	150 925	177 503	5.7	5.7
Developed Economies & European Union	34 993	30 414	7.5	6.0
Central & South-Eastern Europe (non-EU) & CIS	18 603	15 605	11.1	8.9
Asia & the Pacific	51 588	74 696	3.5	4.3
Latin America & the Caribbean	15 955	19 149	7.6	7.1
Sub-Saharan Africa	18 236	24 142	7.8	7.8
Arab region	**9 618**	**10 913**	**11.8**	**9.9**
North Africa	6 335	7 035	12.3	10.5
Middle East	5 216	6 463	11.3	9.8
Male Youth				
WORLD	86 235	101 409	5.4	5.5
Developed Economies & European Union	18 352	16 068	6.9	5.8
Central & South-Eastern Europe (non-EU) & CIS	10 018	8 649	10.9	9.0
Asia & the Pacific	32 015	46 317	3.6	4.4
Latin America & the Caribbean	7 981	8 828	6.0	5.6
Sub-Saharan Africa	9 929	12 946	7.5	7.5
Arab region	**6 799**	**7 175**	**10.7**	**8.7**
North Africa	4 316	4 429	11.1	9.1
Middle East	3 624	4 172	9.8	8.3
Female Youth				
WORLD	64 691	76 094	6.1	5.9
Developed Economies & European Union	16 641	14 347	8.1	6.4
Central & South-Eastern Europe (non-EU) & CIS	8 585	6 956	11.4	8.7
Asia & the Pacific	19 573	28 379	3.3	4.1
Latin America & the Caribbean	7 974	10 321	10.4	9.3
Sub-Saharan Africa	8 307	11 196	8.2	8.2
Arab region	**2 819**	**3 738**	**15.5**	**13.5**
North Africa	2 019	2 606	16.0	14.0
Middle East	1 592	2 290	17.3	15.0

16. With 21.5 per cent, the youth unemployment rate is very high in the Arab region (23.8 per cent in North Africa and 20.4 per cent in the Middle East, see figure 7 and table 8). North Africa's rate is the highest in the world. Once again young women find it even harder than young men to find a job. Out of ten women active in the labour market almost three unsuccessfully look for a job. For men it is less than two out of ten. This represents a huge waste of potential given that it represents the most educated generation ever.

17. The youth unemployment problem (table 8 and figure 7) needs to be analysed carefully as the challenges vary with different education levels. In the majority of countries, workers with little or no education or highly educated people have a lower risk of being unemployed. Most of the unemployed are either semi-skilled or have intermediary or secondary education, a sign of the under-evaluation of their training in the economy. However, unemployment rates amongst university graduates show an increasing trend in some countries. In Egypt for example, they now face the highest unemployment rate of all educational levels. There are several reasons for the latter trend. University students are the fastest growing group among new entrants into the labour markets and the ones most dependent on government employment which is not growing as fast or even shrinking. As was the case in past, young people with university degrees want a job in the public sector. And they expect governments to provide them with such jobs. Given that these young people are most likely coming from a wealthier background, they are willing to wait for longer periods to get such an employment rather than taking up a private sector job. Instead of filling the employment gap, the private sector continues to discriminate against young persons, in particular against young women, for reasons like the added cost of maternity leave and child care that the companies are reluctant to bear, and the suspected limited geographic mobility of women. The private sector also complains that the graduates do not have the type of skills they need.

Table 7: Youth Unemployment and Youth Unemployment Rates
Source: ILO, Trends Econometric Models, April 2008; See Annex 1 of ILO, Global Employment Trends for Youth 2008, October 2008 for Information on the Methodology

	Youth Unemployment ('000s)		Youth Unemployment Rates (%)	
Total	**1997**	**2007**	**1997**	**2007**
WORLD	62 847	71 381	10.9	11.9
Developed Economies & European Union	10 151	8 162	14.8	12.4
Central & South-Eastern Europe (non-EU) & CIS	5 840	4 659	21.2	18.0
Asia & the Pacific	25 107	33 669	7.5	10.0
Latin America & the Caribbean	7 540	8 167	14.0	14.5
Sub-Saharan Africa	8 252	10 199	12.0	11.5
Arab region	**4 858**	**5 039**	**24.1**	**21.5**
North Africa	3 275	3 394	25.3	23.8
Middle East	2 683	3 130	23.6	20.4
Male				
WORLD	36 109	41 235	10.7	11.6
Developed Economies & European Union	5 412	4 479	14.5	12.7
Central & South-Eastern Europe (non-EU) & CIS	3 215	2 583	20.4	17.2
Asia & the Pacific	15 389	21 207	7.8	10.5
Latin America & the Caribbean	3 832	3 829	11.5	11.5
Sub-Saharan Africa	4 410	5 369	11.6	11.1
Arab region	**3 260**	**3 003**	**22.0**	**18.4**
North Africa	2 085	1 899	23.0	20.1
Middle East	1 765	1 868	20.7	17.1
Female				
WORLD	26 738	30 145	11.2	12.2
Developed Economies & European Union	4 739	3 683	15.0	12.1
Central & South-Eastern Europe (non-EU) & CIS	2 625	2 076	22.2	19.2
Asia & the Pacific	9 718	12 461	7.1	9.3
Latin America & the Caribbean	3 708	4 338	18.3	19.0
Sub-Saharan Africa	3 841	4 830	12.6	12.1
Arab region	**1 598**	**2 036**	**29.8**	**28.7**
North Africa	1 189	1 495	30.7	30.9
Middle East	918	1 262	32.5	28.7

5. Sectoral Employment Trends: Moving out of Agriculture and into Service

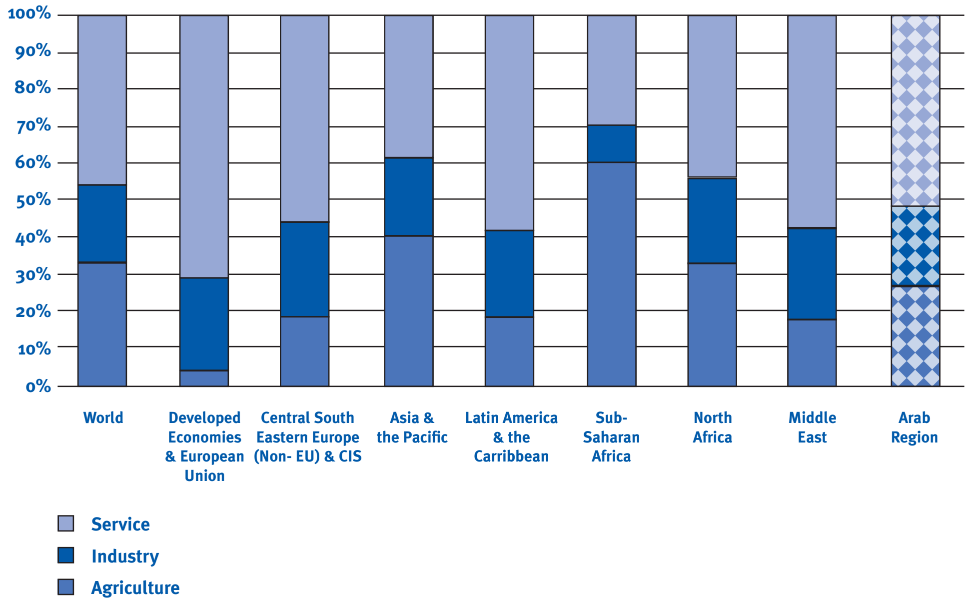
18. As can be seen from the data on the sectoral distribution of employment (Table 9 and Figure 8), the service sector is by far the biggest employer in the region. It is also the sector that has seen the biggest increase in its share between 1997 and 2007. In 2007 the service sector provided 51.4 per cent of all jobs in the region. The sector is slightly more important when it comes to providing jobs for men (53.0 per cent) than for women (46.3 per cent). The industry sector has grown slightly between 1997 and 2007, from 19.4 per cent to 21.6 per cent of all jobs in the region. This sector plays a much bigger role in providing jobs for men than for women. Of 100 men in the region with a job, 25 worked in the industry sector, out of 100 women only 11. Finally, the agricultural sector has seen its share in employment decline over time. In 2007, it provided 27 per cent of all jobs in the region, down from 33.0 per cent in 1997. It nevertheless very important for women, as 40.1 per cent of all jobs for women are found in this sector and its share has even increased slightly over time. For men the importance of this sector continues to decrease rapidly. In 1997, the share stood at 31.3 per cent and in 2007 it was down to 22.8 per cent.

19. However, the regional average should not mask the diverse realities of Middle East and North Africa. In North Africa, agriculture still represents an important sector in terms of employment: 33 out of 100 people with a job work in this sector. In the Middle East it is only 17 out of 100 people. What is interesting is that over the last 10 years the female employment share in agriculture has increased in both regions. It provides now 41.7 per cent of all jobs for women in North Africa and 32.9 per cent in the Middle East. This upward trend is unique in the world and needs a closer country specific analysis. Services play a smaller role in providing jobs in North Africa, 44 out of 100 jobs are in services whereas in the Middle East it is 58 out of 100. In terms of industry the shares are quite close with 23 per cent in North Africa and 24.7 per cent in the Middle East. But while in North Africa this share has increased between 1997 and 2007, it has decreased in the Middle East.

Table 8: Employment Shares by Sector
Source: ILO, Trends Econometric Models, April 2008; See Annex 1 of ILO, Global Employment Trends for Youth 2008, October 2008 for Information on the Methodology

	Employment Share of Agriculture (%)		Employment Share of Industry (%)		Employment Share of Services (%)	
Total	**1997**	**2007**	**1997**	**2007**	**1997**	**2007**
WORLD	42.7	32.9	21.9	21.1	35.4	45.9
Developed Economies & European Union	6.0	3.8	28.2	25.1	65.8	71.1
Central & South-Eastern Europe (non-EU) & CIS	26.7	18.4	28.4	25.7	44.9	55.8
Asia & the Pacific	56.0	40.6	21.2	20.9	22.9	38.4
Latin America & the Caribbean	23.2	18.6	21.2	23.0	55.6	58.3
Sub-Saharan Africa	62.2	60.1	10.2	10.4	27.6	29.4
Arab region	**33.0**	**27.0**	**19.4**	**21.6**	**47.6**	**51.4**
North Africa	38.1	33.1	19.3	23.0	42.7	43.9
Middle East	21.4	17.7	25.3	24.7	53.3	57.6
Male						
WORLD	40.7	32.4	24.7	24.8	34.6	43.0
Developed Economies & European Union	6.5	4.4	37.1	35.0	56.4	60.6
Central & South-Eastern Europe (non-EU) & CIS	26.7	19.1	33.5	32.6	39.9	48.4
Asia & the Pacific	51.8	39.0	22.0	22.5	26.3	38.7
Latin America & the Caribbean	28.0	24.1	25.3	28.6	46.4	47.3
Sub-Saharan Africa	59.5	57.9	13.2	13.6	27.0	28.0
Arab region	**31.3**	**22.8**	**21.5**	**24.9**	**47.3**	**53.0**
North Africa	38.1	29.9	20.8	26.7	41.6	45.4
Middle East	20.4	13.4	26.1	26.5	53.4	59.6
Female						
WORLD	45.7	33.8	17.7	15.9	36.5	50.2
Developed Economies & European Union	5.2	3.1	16.7	12.8	78.1	84.1
Central & South-Eastern Europe (non-EU) & CIS	26.7	17.6	22.1	17.4	51.0	64.8
Asia & the Pacific	62.3	43.0	19.9	18.7	17.6	38.0
Latin America & the Caribbean	14.4	10.6	13.8	14.7	72.2	74.8
Sub-Saharan Africa	65.8	62.9	6.2	6.4	28.4	31.2
Arab region	**39.2**	**40.1**	**11.6**	**11.3**	**48.5**	**46.3**
North Africa	37.9	41.7	14.3	12.9	46.1	39.9
Middle East	26.0	32.9	21.8	18.5	52.9	50.5

Figure 5: Employment Shares by Sector (2007)
Source: ILO, Trends Econometric Models, April 2008; See Footnote 5 for a Definition of the Arab Region.



6. Trends in Status of Employment

20. Status of employment distinguishes between four categories: wage and salaried workers, employers, own-account workers and contributing family workers. The majority of people in the Arab region have jobs as wage and salaried workers; the share in 2007 was close to 60 per cent and had increased over time. This share is higher in the Middle East than in North Africa. Compared to other regions, employers count for quite a large share with 7.7 per cent of all jobs. Own-account workers count for 19.2 per cent and contributing family workers for 15 per cent. The latter two shares have decreased between 1997 and 2007.

21. The own-account workers and the unpaid contributing family workers taken together, form a proxy indicator to "vulnerable employment".[18] People in vulnerable employment are most likely to be employed under relatively precarious circumstances, most likely in the informal economy. Contributing family workers and own-account workers are less likely to have formal work arrangements, access to benefits or social protection programmes and are more "at risk" with respect to fluctuating economic cycle. The vulnerable employment share in the region has decreased between 1997 and 2007 from 41 per cent to 34.2 per cent, still leaving more than 1/3 of the employed in vulnerable conditions.

22. The indicator is highly gender sensitive since, historically, contributing family work had been a status that was dominated by women. This is also the case in the Arab region: The female share in contributing family work (29.7 per cent) is much higher than the male share (10.3 per cent). Given that contributing family work is most likely to be seen in agriculture it is not surprising that it plays a bigger role in North Africa than in the Middle East.

23. There is a strong connection between vulnerable employment and working poverty: if the

[18] 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 market, 5th edition, ILO Geneva 2007, Chapter 1.

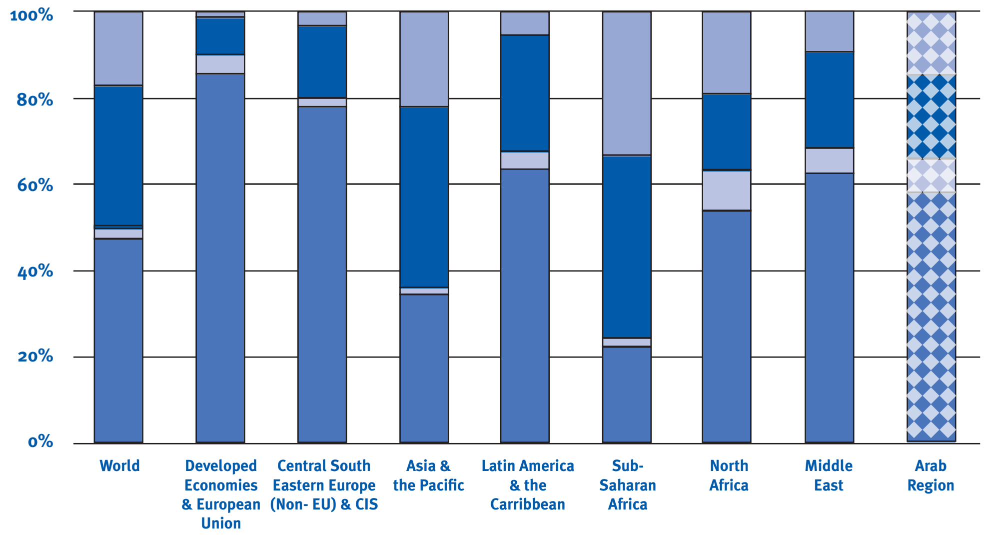
proportion of vulnerable workers is sizeable, it may be an indication of widespread working poverty. The connection arises because workers in the vulnerable statuses lack the social protection and safety nets to guard against times of low economic demand and often are incapable of generating sufficient savings for themselves and their families to offset these times. But does vulnerability always lead into working poverty? This depends on the levels of labour productivity. The higher the levels of productivity the weaker the link is to working poverty. The reason for that is that higher productivity levels translate into higher wages (of cause not for all people and not immediately, but on average). In the case of the Arab region vulnerability is closely connected to the US$ 2 a day working poverty, not so much to the US$ 1 a day working poverty. This is typical for a region with productivity levels about to approach the levels of a middle income region. This relation is underlined by the fact that in the Middle East (with higher productivity levels compared to the regional average) the vulnerable employment rate of 31.9 per cent goes along with a working poor share of 19.3 per cent whereas in North Africa with its lower productivity levels the almost identical vulnerable employment share of 36.9 per cent goes together with a working poverty shares (US$2 a day level) of 42.0 per cent.[19]

[19] See: ILO, Global Employment Trends January 2008, Geneva 2008.

Table 9: Employment by Status
Source: ILO, Trends Econometric Models, April 2008; See Annex 1 of ILO, Global Employment Trends for Youth 2008, October 2008 for Information on the Methodology

	Wage and Salaried Workers		Employers		Own-Account Workers		Contributing Family Workers	
Total	**1997**	**2007**	**1997**	**2007**	**1997**	**2007**	**1997**	**2007**
WORLD	43.3	47.1	2.8	2.6	32.1	33.1	21.9	17.3
Developed Economies & European Union	83.4	85.7	4.9	4.4	9.3	8.6	2.4	1.4
Central & South-Eastern Europe (non-EU) & CIS	77.4	77.9	1.8	2.0	14.9	16.3	5.9	3.7
Asia & the Pacific	28.2	34.3	1.9	1.6	39.8	41.8	30.1	22.3
Latin America & the Caribbean	63.1	63.2	4.2	4.2	25.0	27.1	7.7	5.5
Sub-Saharan Africa	18.1	22.0	1.9	2.1	48.1	42.4	31.9	33.5
Arab region	**52.3**	**58.1**	**6.7**	**7.7**	**22.6**	**19.2**	**18.4**	**15.0**
North Africa	47.7	53.5	8.3	9.5	20.9	17.4	23.2	19.5
Middle East	55.0	62.5	4.4	5.7	29.4	22.4	11.1	9.5
Male								
WORLD	44.4	48.1	3.7	3.2	38.2	36.9	13.7	11.9
Developed Economies & European Union	81.4	82.9	6.5	6.0	10.9	10.5	1.2	0.7
Central & South-Eastern Europe (non-EU) & CIS	76.0	76.4	2.6	2.9	17.5	18.5	3.9	2.2
Asia & the Pacific	30.9	36.6	2.6	1.8	49.1	46.9	17.4	14.7
Latin America & the Caribbean	61.4	61.7	5.3	5.5	26.8	28.5	6.5	4.3
Sub-Saharan Africa	22.3	27.2	2.1	2.3	48.4	44.1	27.3	26.4
Arab region	**55.0**	**60.9**	**8.0**	**9.5**	**22.7**	**19.2**	**14.2**	**10.3**
North Africa	49.9	56.0	10.2	12.1	22.4	18.6	17.5	13.3
Middle East	57.4	64.8	5.3	6.8	29.5	22.9	7.8	5.4
Female								
WORLD								
Developed Economies & European Union	86.1	89.2	2.8	2.4	7.2	6.2	4.0	2.2
Central & South-Eastern Europe (non-EU) & CIS	79.2	79.8	0.8	1.0	11.6	13.8	8.4	5.5
Asia & the Pacific	23.9	30.8	0.9	1.4	25.6	34.3	49.6	33.6
Latin America & the Caribbean	66.0	65.3	2.1	2.4	21.9	25.2	10.0	7.2
Sub-Saharan Africa	12.7	15.3	1.6	1.9	47.7	40.3	38.0	42.5
Arab region	**42.1**	**49.1**	**1.7**	**2.1**	**22.2**	**19.0**	**34.0**	**29.7**
North Africa	40.6	46.8	2.1	2.4	15.9	14.0	41.4	36.8
Middle East	44.7	54.2	0.9	1.7	28.7	20.4	25.8	23.8

Figure 6: Employment Shares by Status (2007)
Source: ILO, Trends Econometric Models, April 2008; See Footnote 5 for a Definition of the Arab Region.



7. Trends in Productivity

The region has seen growth in productivity (17.3 per cent between 1997 and 2007) but compared to the regions that were successful in reducing their decent work deficit, the growth has been relatively small, especially in the Middle East (see table 11). Countries vary a lot in terms of their level of productivity as well as productivity trends over time. As can be seen in Figure 2 for countries with available data, highest increase in productivity level (22700 US Dollar, (in constant 1990 US$, PPP adjusted) and rate has been observed in the United Emirates, but they are still below the level they had in the early 80s. The lowest level has been observed in Sudan with only 947 US Dollar output per person employed. Out of the 15 countries for which data was available, five have still not reached their 1980 levels, four are at about the same levels as in 1980 and only six have higher levels than those in 1980. The figure also shows the slow growth in recent years in the majority of countries in the Middle East. The low productivity growth is one of the biggest challenges in the region.

Table 10: Productivity Measured as Output Per Person Employed, (Constant 2000 US $, PPP Adjusted)
Source: ILO, Trends Econometric Models, April 2008; See Annex 1 of ILO, Global Employment Trends for Youth 2008, October 2008 for Information on the Methodology

	1997	2007	Change Between 1997 - 2007
World	16 990	21 055	23.9
Developed Economies & European Union	60 514	71 863	18.8
Central & South Eastern Europe (non-EU) & CIS	14 214	22 485	58.2
East Asia	5 112	10 303	101.5
South East Asia and the Pacific	7 491	9 238	23.3
South Asia	4 021	6 340	57.7
Latin America and the Caribbean	20 245	21 361	5.5
Sub-Saharan Africa	4 316	5 013	16.1
Arab region	**20 780**	**24 374**	**17.3**
Northern Africa	13 043	15 899	21.9
Middle East	34 092	37 019	8.6

Figure 7: Productivity Measured as Output Per Person Employed, (Constant 2000 US $, PPP Adjusted)
Source: ILO, Trends Econometric Models, April 2008; See Footnote 5 for a Definition of the Arab Region.

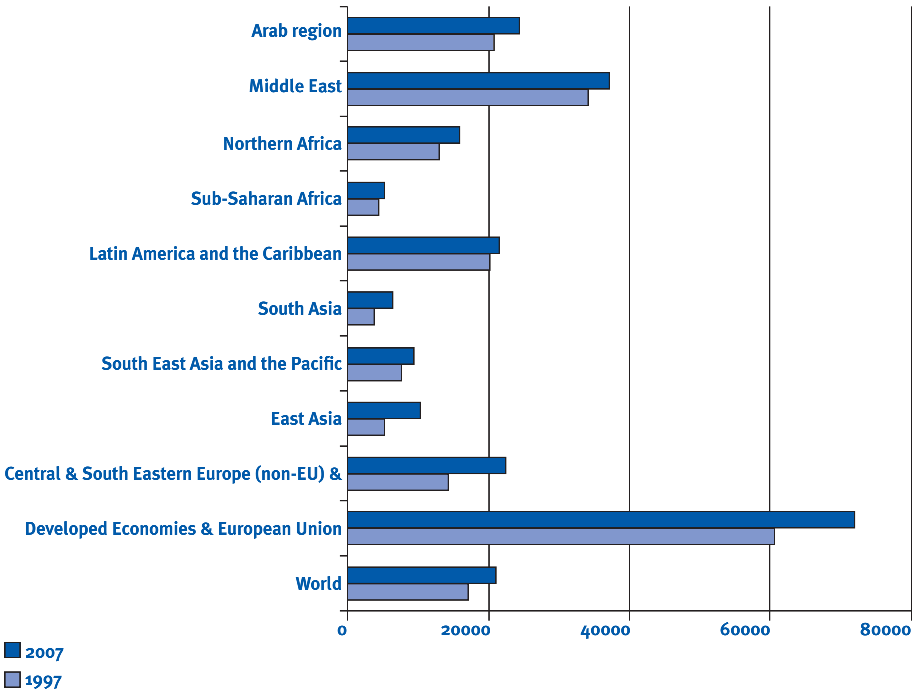


Figure 8: Productivity Measured as Output Per Person Employed (Constant 1990 US Dollars, PPP Adjusted)
Source: ILO, Key Indicators of the Labour Market 5th Edition, Geneva 2007.