



SUMMARY

THE DYNAMICS OF THE ARAB LABOR MARKETS: *TRANSFORMATIONS AND PATHWAYS OF PROGRESS*

REPORT OF THE DIRECTOR GENERAL
OF THE ARAB LABOR OFFICE
(ITEM ONE - SECTION ONE)



Arab Labor Conference

45th Session

Cairo 8 - 15 April 2018



Summary

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Introduction:

The Arab Labor Organization has paid an increasing attention to the issues of employment and labor markets in the Arab countries due to its significance in establishing the concept of work as a right to each citizen. This also assures the realization of social peace, which is one of the goals of the Arab Labor Charter. Although several wide-scale and ambitious development plans have been implemented in Arab countries, unemployment levels are still posing a threat to community security and social peace.

Models of development in the Arab countries vary based on the economic structure of each country, as they aim to meet the needs and requirements of their respective societies, make appropriate and productive work opportunities available for the new entrants to the labor market, and reduce unemployment levels. However, the scientific and technological revolution (the 4th Industrial Revolution) and its impacts on the employment patterns dictate that we need to increase our attention to the issues and challenges of employment, and make appropriate labor markets available in the light of a changing reality that needs a swift action to keep pace with this development in order to maximize the pros and confront the cons on employment opportunities. The controversial issue is that despite the variety of development models and serious efforts, studies, and reports to better understand the transitions of labor markets and formulate progress tracks to guarantee the success of development in curbing unemployment rates, they are partially unable to achieve their desired goals. Facing this challenge has always been a goal for policy makers and researches, alike.

The problem may be that the traditional adopted approach has dealt with labor markets in sporadic ways, focusing on the resulting problems (such as unemployment, inadequacy of education outputs, etc.) without having a comprehensive view on the dynamics of the labor markets in an integrated and comprehensive framework that represents a coherent system. Such system includes economic growth, education and training, and employment. This approach shall analyze the correlations among these three components, and the role of policies and institutions affecting them, identify priorities, narrow gaps and stimulate

acceleration in growth, which offer to policy makers a more realistic diagnosis of the problems, and suggest appropriate policies, strategies, and plans to tackle them.

In this context, the report presented to the 45th session of the Arab Labor Conference suggests an unconventional vision that makes a realistic basis, rich with multiple backgrounds to understand the nature of the labor markets in the Arab countries, despite the diversity in their economic and social structures. This also aims at analyzing labor market policies and institutions in the Arab countries and identifying the challenges that face them through discussing a set of definition-based and cognitive concepts to identify trends, transitions, and variables that affect labor markets, and discussing guiding inductive and applied inferential concepts. This is meant to avoid common overgeneralizations in the Arab countries, and to draw up guiding results that present a future-oriented vision on how to face these challenges to promote labor markets, while preserving the privacy of each Arab countries.

The report also clarifies the role of the Arab Labor Organization in fostering national plans for labor market policies within a framework of future-oriented outlook, unifying visions, and achieving national and Arab integration through its distinguished relations with Arab production tripartite, and relevant Arab and international organizations and bodies.

In the conference sessions, we are looking forward to your valuable comments that would enrich discussions to reach practical and innovative solutions and suggestions that can participate in changing visions to missions and boost Arab development paths and their horizons. This aims at the commitment to an integrated development path, guided by aspirations of 2030, which are directly reflected on dynamics of labor markets, benefiting from experiences of production tripartite in the Arab countries.

Fayez Ali Al-Mutairi

Director-General

Preface

The report relies on a set of concepts that shall be discussed and analyzed based on data and information available from national, Arab, and international reliable sources:

1. **The first concept is a definition-based concept** that relies on the description of the labor force in the Arab countries, with a focus on aspects of unemployment and employment.
2. **The second concept is a cognitive concept** that relies on identifying the trends and changes that affected the main labor market indicators in recent years.
3. **The third concept is a guiding inductive concept** that relies on examining the factors that affect labor markets in all Arab countries through classifying the Arab countries according to their current economic and social constituents.
4. **The fourth concept is an applied inferential concept** that relies on drawing up directed conclusions to assist in designing possible future employment policies and duly directing their positive and straightforward impacts to stimulate Arab labor markets.

Chapter One

Outlook of Economic and Social Changes and their Reflections on Arab and International Labor Markets

Factors of economic growth in all world countries establish a set of guided variables, which are deemed as the basis of growth in these countries. In particular, recovery of labor market performance is fundamental for the growth of a sustainable GDP and a renewable creation of the required employment opportunities, consistent with the relevant countries' short and long term policies and plans. In two decades, the world witnessed several changes in economic growth as it started with a noticeable development in world GDP in the period from 1950 to 1973, and then it declined sharply, especially in the Arab countries, from 1973 to 2000. This led several Arab countries to start economic reform programs that included a series of structural changes in the economic sectors that constitute their GDP.

1-1 On the international level

Some factors helped in making profound transformations in the global economy and international relations. These factors have influenced labor markets in developed, emerging, and developing economies alike.

1. The twin forces of globalization and advanced technology (the 4th Industrial Revolution)

The 4th Industrial Revolution helped reshaping aspects of the global economy, especially labor markets. It led to unprecedented transformations due to the accelerating waves of technological development, which led to the emergence of new employment patterns, such as the Gig Economy. While it led to a decrease in demand for traditional jobs, there is an increasing demand on other new skills that need cognitive and creative skills.

This technological revolution led to radical changes in the nature of working in different industries and professions due to the interaction of two opposite trends:

- **The first** is the destructive effect due to the disappearance of some professions as substituted by machinery, hence the proliferation of technological unemployment. However, attention should be paid, as countries differ regarding the volume of workers vulnerable to automation as there is a possibility of job losses based on several criteria. These include how far these economies depend on and invest in this technology, the kind of sectors on which the economy relies, the organization and management of work, and the volume and diversity of skills available in the labor force.
- **The second** is what is called the impact of capital accumulation, which is the increase demand on jobs in new professions and industries. However, the challenge of labor markets policies is how to manage this transition to reduce the negative impacts of unemployment and to accelerate the consolidation of positive impacts of the increased aggregate demand on jobs.

2. The vast gap among countries and within countries

There is a growing consensus that the increasing disparities in income distribution are a global threat to both rich and poor countries alike. Differences among and within countries depend largely on their access to technology.

As far as the Arab economies are concerned, lack of homogeneity is one of their most obvious characteristics. This may be due to the disparity in patterns and methods of planning and development, as well as the different levels of economic and human developments, due to the volume of natural resources, factors of production and development policies.

3. Unprecedented pressures on labor markets

The regress of the share of the labor in the GDP compared to the share of capital is a phenomenon in the developed countries and emerging economies. Unemployment rates, especially among youth, became a phenomenon that threatens all societies.

4. Conflicts and their crises outputs

The Arab Labor organization has warned that the increasing levels of unemployment, inequality, and limited jobs may help increasing social unrest that may escalate, unless decision makers take swift actions.

The unfavorable developments in the international economic environment, as represented in the impact of the global financial crisis and the internal conditions of some Arab countries, have prevented further progress in the development process and resulted in high youth unemployment rates.

1.2 The specificity of the Arab countries

The factor of specificity (geographical, demographic, economic, etc.) remains present to mark the economic experience of each country with a distinct feature that intersects with the experiences of other countries in certain points and diverges with them in others. Four factors particularly influence the world of work in the region and they largely determine the conditions of the labor markets:

1. Sluggish economic growth

Recent growth records continued their fluctuations in the last 7 years reflecting effects of the variables that inflicted the Arab region such as the decline in oil prices eruption of conflicts in several countries in the region.

Therefore, it is difficult for these growth rates to achieve the aspired goals; the best alternative, rather, would be reforming labor markets and employment policies. This aims at redistributing human capital to promising sectors that have high cognitive content, increasing quality of education, improving adequacy of education outputs to the needs of production sectors, and enhancing institutional indicators while stressing that economic transformation has become an urgent need to absorb new entrants to the labor market. It also aims at alleviating unemployment, a goal that has been adopted by economic transformation programs adopted by several Arab countries in recent years.

2. Demographic development and youth boom phenomenon: A gift, burden, or challenge

The increasing percentage of youth, compared to the total population, led to consecutive waves of influx of youth to the labor markets, which is the biggest challenge to Arab labor markets.

The Arab region has the rapid growth rate for the percentage of youth in the overall population, compared to other age categories. However, most Arab countries have not succeeded enough in exploiting this huge demographic wealth through devising policies and programs to absorb youth, and making bold and rapid decisions to turn them into productive energy to be the main engine of growth in these countries. This demographic opportunity does not come on its own, but rather it depends on social and economic policy responses.

3. Deficit in decent work opportunities

The Arab region has the highest unemployment levels in the world as the region records more than 17% unemployment rate of the labor force, according to the latest statistics available to the Arab Labor Organization. The countries affected by conflicts are more likely to have higher unemployment levels. Aspects of deficit in achieving Decent Work include the limited social protection coverage, as protection systems focus on the formal sector (workers in government and private sectors), without covering the informal sector. The gender gap remains one of the most pressing difficulties facing the world of work.

4. Constant conflicts: Lost generations and growing migration

The Arab region has been uniquely exposed to conflicts, which directly affected growth opportunities. According to ESCWA, the cost of conflicts during the period 2011-2015 was about \$ 614 billion or 6% of the region's GDP.

Chapter Two

The Dynamics of Arab Labor Markets

Arab countries are witnessing a population increase that requires a diversification of economies and making structural adjustments accompanied by developing the skills to qualify youth for job opportunities that will be generated by building a strong and inclusive Arab economy capable of coping with emergency crises. This leads the Arab countries to adopt policies of macroeconomics, labor markets, sector, investment, trade, education and training policies in a connected and integrated manner to create the required jobs. Although Arab countries share the same sufferings, i.e., youth unemployment, low contribution of women in the economy, slow growth of labor market institutions, etc. This report avoids errors of generalization. It starts from understanding the situations of Arab countries and duly diagnoses their problems. Therefore, the idea of "one-solution-fits-all" should be abandoned when designing economic and social policies, keeping in mind the lack of a system for the classification of Arab countries in the study of labor markets. However, three groups can be distinguished based on common features of each:

2-1 Diversified Economies

The problems of those States are that the development model of the past four decades had not led to economic growth rates that would have accommodated the steady increase in the population and the aggravation of unemployment problem, particularly among youth. Governments of these countries have undertaken reform programs to try to increase revenues, and adopted privatization programs to support the private sector. Although some of them have gone through the comprehensive indicative planning phase to target poverty,

unemployment, and achieving United Nations Millennium Goals, they need to strengthen labor market institutions and active labor market policies (investment in human resources and training).

Countries of diversified economies managed to achieve a considerable structural transformation in the domain of industry, and tended to export manufactured goods. However, they could not achieve a large volume of trade surplus, while they also suffer from the low rates of production and export of goods with high and medium technology. These factors, in general, decrease growth patterns and distributions to wide segments of the population, while reduce the potential of sustainable growth. We hope that exploration and extraction of oil and natural gas will increase in a number of these countries, especially the Mediterranean countries. This helps increase their self-resources, which can be used in the development process.

The future challenge for this group is to create an attractive investment environment to restore high growth rates that ensure availability of demand for productive labor and to reform the labor market policies and institutions.

2-2 Oil-Exporting Economies

This group has achieved impressive economic and social progress over the last four decades. Unlike the previous group, these countries do not suffer from shortage of labor demand. The demand goes far beyond the national labor force, which leads these countries to seek huge numbers of migrant workers. These countries are characterized by high work flexibility due to high employment growth rates.

The challenges to these countries have emerged as a result of the frequent fluctuations in oil prices. This led to revising the growth model of the so-called "rentier" economy, namely oil, and changing it to a diversified economy. Most of these countries adopted ambitious economic transformation programs to achieve growth rates that enable them to maintain decent standard of living for citizens.

The labor market in this group is characterized with a duality between citizens and expatriates, as most citizens tend to work in the government and public sector, with a significant reluctance to work in private sector.

It is expected that 2018 shall see a relative recovery of economic activities in Arab oil-exporting countries. This shall help boost the growth rate of Arab countries. The challenge for the countries of this group, in addition to economic and financial reform, is the adoption of radical reforms in labor market policies that aim primarily at arming citizens with the needed skills to compete in local and regional labor markets and to manage the national economy.

However, the possibility of solving the problem through continued strong economic growth alone is unlikely, even if the growth occurs at increasing rates. This stresses that as long as the dynamics of the labor market remain unchanged, achieving employment targets shall remain subject to very high growth rates.

2-3 Countries in Conflict

The common feature among these countries is the halting of the process of growth, ruining of livelihoods, and destruction of infrastructure. This has led to serious changes in the labor markets, particularly the rise in unemployment levels, especially among youth. In addition, new

patterns of employment have emerged, the most important of which is working in the informal sector that has become the last resort for increasing numbers of men, women and children, making them irregular, low-paid vulnerable workers.

Continuing conflicts aggravated the problem of immigration to neighboring countries, in the first place, and then the attempts to reach Europe. Migration poses a serious problem in depriving these countries of their potentials, which may lead to difficulties in the reconstruction process when the conflict ends. The new generations, the main source of future labor, are a major problem because of the imbalance in education and lack of employment opportunities. This has led to the designation of "Lost Generations" on this category of the population. This has led to an increase in poverty rates, especially among the labor force, as well as the fragility, or even absence, of social protection systems.

As the conflicts spread in some Arab countries today, along with the proliferation of unrest, it is difficult to focus on long-term planning and investment required for sustainable development. However, many erroneously think that meeting urgent needs and planning for sustainable development are not interconnected. On the contrary, sustainable development strategies succeed only if they address root causes and effects of instability, especially its consequences on cultural heritage, ecological systems, and long-term displacement that are sometimes difficult to eliminate.

The major challenge for the countries in conflict is the reconstruction of what wars have demolished, in addition to the enormous efforts required to rehabilitate the workforce to contribute to the reconstruction process after the end of conflict.

Chapter Three

Pathways of progress and prospects for development

The 8th goal of sustainable development states that we must "by 2030, promote inclusive and sustainable economic growth, employment and decent work for all women and men, including youth and people with disabilities."

Therefore, the challenges of future youth employment in the Arab countries must be carefully considered. Perhaps the large increase in the size of the Arab labor force makes it more difficult for the Arab countries to achieve tangible achievements in reducing unemployment levels.

The employment problem in many Arab countries is attributed to the gap between the requirements of the labor market and the outputs of the education system, and incompatibility of university disciplines with the requirements of the private sector. This is also due to the available levels of skills in the current labor force, and the inability of the public sector to continue to play the role of the main employer, in light of the increasing pressure on public budgets.

Meanwhile the private sector was unable to do its aspired role on the employment level because of the challenges facing business environments in some Arab countries, especially under the current circumstances and changes, which affect the dynamics of this sector and its ability to contribute to the absorption of new entrants to the labor market. In this context, this chapter presents the outlook for Arab labor markets in the light of the analysis as shown in the previous chapter, taking into consideration the regional and global transformations discussed in **Chapter 1**. This includes the following:

3-1 The factors that affect participation in the labor force

The major challenges of future youth employment in the Arab countries are:

- The recent tendency of economic growth to decline,
- The comprehensive growth achieved is not distributed for all segments of citizens in some Arab countries,
- Adopting growth models based primarily on capital accumulations,
- The big increase in the size of the Arab labor force,
- The gap between labor market requirements and the outputs of education and training systems,
- The inability of the public sector to absorb the new entrants to the labor market in many Arab countries, and
- The limited role of the private sector in creating decent work opportunities for the growing number of job seekers

All the previous factors converge to achieve the desired goals, foremost of which is attracting qualified workers, capable of driving economic growth engine in line with the tremendous developments in the business sector. Therefore, it is required to empower and strengthen youth through the development of technical education and vocational training programs.

3-2 Effects of generalization on adopted action plans

One of the major issues that has been affecting the formulation of economic policies within their development frameworks is ‘generalization’ and keeping away from addressing the privacy of each country according to its circumstances. The economic policies are applied as rigid templates that do not take into consideration factors of

differences. In addition, these policies are sometimes imported their templates which are approved in other countries, and then they are applied locally in a manner that is not compatible with the actual situation.

Dealing with all Arab economies as identical is one of the major obstacles to the Arab economy, as this concept of similarity led to the competitiveness of the Arab economies among themselves due to the volatility of these economies. The common characteristics they suffer, which lead to their inability to provide the requirements of labor markets and the development of economic activities for each other.

3-3 Evaluating the countries based on economic and social factors

The volume, diversity, and investment potentials of any country are used to distinguish between rich and poor countries. Access to these materials does not necessarily mean that the country produces them within their political borders, but rather means the possibility of acquiring necessary quantities through trade and mutual agreements. Most Arab countries are developing countries and there are obvious structural imbalances in their economies. These imbalances take the form of dependence of the national economy on one commodity or very few commodities so that their productive activities cannot raise long-term development rates or achieve short-term stability. They have been lacking the dynamic factors or forces needed to correct structural economic imbalances, i.e. they lack the capacity to transform.

3-4 The interrelated effect of variables affecting the formulation of development policies

Ignoring the interrelated dimension of all variables had a significant impact on make plans to achieve the expected proportions of

achievement at the economic level, and the impact at the social level more frequently. Therefore, the Arab labor world will depend on responding to the employment challenge as the population increases, and new waves are poured into the labor markets every year.

Confronting mechanisms to the employment challenge can be summarized in 4 trends:

- The quantitative trend of securing employment opportunities commensurate with the expected population increase in those countries,
- The qualitative trend of adopted plans to provide the required skills for the available jobs that are compatible with the current and expected development variables of future labor market requirements,
- The procedural trend of ensuring appropriate employment policies in accordance with existing diversity to ensure stability in the labor market, and
- The preventive trend of developing social policy orientations to cope with the proposed economic visions

It is worth noting that the Arab countries should adopt new policies to reformulate their economies through reformulating the private sector, integrating with the global economy, and managing oil resources in a better way.

Chapter Four

The role of ALO in strengthening national plans for labor market policies

The following part reviews some of the approaches of the Arab Labor Organization and its action mechanism that reflects its role in the paths of labor markets on the Arab level.

4-1 The role of ALO in linking development to employment

The Arab Labor Organization has prioritized studying and researching employment and unemployment in the Arab countries, reducing unemployment levels, and achieving the sustainable development goals in the Arab countries. This is based on the decisions of the 1st session of the Economic and Social Development Summit (Kuwait 2009), Sharm El-Sheikh summit (2011), Riyadh summit (2013), and the Integrated Program to Support Employment and Reduce Unemployment. The Organization issued five reports on employment and unemployment in the Arab countries in a series of reports on Arab employment, issued every two years, and ALO is currently producing the 6th report. The reports examine different issues related to employment and unemployment in the Arab countries.

ALO adopts several Arab strategies and mechanisms relevant to development and employment issues. It sought to identify measures of supporting employment policies and promoting the approach towards real reform and social justice, as well as finding new mechanisms to formulate employment policies that respond to the requirements imposed by recent political and economic developments.

The Organization is also concerned with rehabilitating and training the unemployed, raising capacities of the human resources as the main

asset, focusing on national and Arab efforts to support human development, effective training that matches the needs of the labor market, and seeking the development of existing training centers in the Arab countries. The Organization is also concerned with stimulating the Member States to give more attention to technical education and training (Riyadh Document on the Arab Forum for Technical and Vocational Training and Labor Market Needs 2010).

4-2 ALO is supporting private sector's initiatives in employment programs

ALO has interested in maximizing the role of the Arab private sector in performing its key role in development as an integral part of a comprehensive community structure. ALO has supported the private sector's initiatives in implementing employment programs and reducing unemployment levels. ALO has also stressed that one of the most important elements of Arab cooperation in boosting employment and reducing unemployment is the role of the Arab private sector. This sector is the cornerstone for the promotion of Arab employment in terms of investments and inter-Arab trade, and providing the appropriate environment to exploit the differential advantages available in the Arab region, based on the common interests of all countries, to limit the waste of energies, and to change the Arab environment to be an attractive one.

The Arab Labor organization, through its varied performance, called on all Arab countries to adopt employment policies in the private sector based on the fact that qualified Arab human resources are an investment. They should be transferred from a burden on resources to productive power and competitive advantage through granting tax and insurance benefits to employers, and giving priority to the Arab qualified worker after the national one.

4-3 ALO... Technical and Vocational Education and Training (TVET)

Since ALO has been established, the organization has been concerned with the domain of training of Arab labor force. This is manifested in linking human resource development with training and rehabilitation through the launch of the Arab strategy for technical and vocational education and training “Riyadh 2010.” It aimed at strengthening the partnership between the bodies responsible for technical and vocational education and training and the users of their outputs. This helps narrowing the gap between the outputs of TVET and the needs of the labor market, while reviewing the national legal systems concerned with human resources development to adapt them to Arab and international standards on the one hand and making them compatible with the changes on the labor world, on the other.

The Arab Labor Organization also sought to take into account the approach to the knowledge economy, and the elimination of gender barriers within the framework of the development of the VTET system in building the programs and contents of training on new professions. ALO also sought to facilitate the transition to the new professions in order to keep up with recent economic, technological, and structural developments of changing labor markets, and set the frameworks to connect needs with outputs, as well as reaching conciliation and harmonization formulas between the national occupational classification and the Arab standard classification of professions.

4-4 Arab Standard Classification of Professions

In 2008, ALO issued the Arab standard classification of professions. This mechanism is deemed as the best technical tool for Arab cooperation in mutual recognition of competencies and skills. This

facilitates the transfer of Arab workers between sending and receiving Arab countries by using the same concepts, terminology, professional names, descriptions and technical requirements for each profession. It includes a precise classification of about 3000 different professions. This is the outcome of many years of efforts by the Arab Labor Organization to standardize Arab labor standards as well as trades and jobs codes, and to facilitate the collection, analysis, and processing of data on Arab labor markets, and to exchange and compare results at national, regional, and international levels.

4-5 Arab Network for Labor Market Information

ALO has kept pace with international efforts to contribute to the implementation of the plans and programs of the Sustainable Development Plan 2030 through its pilot project, the Arab Network for Labor Market Information. It is one of the projects of the Integrated Employment Support Program, approved at the Economic and Social Development Summit (Kuwait 2009). It aspires to an optimal solution to the problem of unemployment through providing quantitative and qualitative information for governments and Arab decision-makers; to formulate employment policies, develop education and training plans and programs. The network achieves this by putting in place extensive databases, credible statistic, and internationally approved measurement indicators to show the gap between supply and demand, between education, training and skills development outcomes, and the Arab labor markets' needs. This contributes to the monitoring and evaluation of current reality, and identifying strengths, weaknesses, opportunities and threats (SWOT) through analysis of these data. This assists in drawing policies and plans of employment in sustainable sectors. The network also provides a database of job opportunities at the Arab level, and the qualifications required to provide the opportunity for workers and job seekers to obtain jobs that commensurate with their

competencies, and contribute to building their abilities and skills in line with the needs of the labor market. The network opens the field of distance learning and training on the most required specialties on the network, and this makes it the largest Arab Labor Market information Network to monitor, recognize, evaluate, and disseminate verified information on the reality of Arab labor markets to achieve a sustainable Arab labor future.

Summary and Conclusion:

The Arab Labor Organization appreciates the efforts have made by several Arab countries to undertake important reforms in various sectors, and to adopt obvious visions for 2030. ALO calls on all Arab countries to continue focusing on the macroeconomic approach as the core treatment of investment and growth rates, and to promote the performance of labor markets, and duly correct their tracks. There is hard work waiting for the Arab countries to upgrade their economies to reach the level of the developed economies.

At the end of this report, the requirements for upgrading the Arab labor markets in the coming period can be summarized as follows:

- Creating the institutional and regulatory framework for the Arab labor market,
- Adopting policies and strategies that stimulate production and investment,
- Developing education and training policies to keep pace with the knowledge economy, and
- Facilitating access to ICT services.



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