



# **DEVELOPMENT CHALLENGES & PROSPECTS OF THE ARAB LABOR ORGANIZATION**

REPORT OF THE DIRECTOR GENERAL  
OF THE ARAB LABOR ORGANIZATION

ITEM ONE - SECTION ONE

**THE ARAB  
LABOR  
CONFERENCE**

SESSION  
**43<sup>rd</sup>**  
THE

Cairo , 10 - 17 April 2016

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## ***Contents***

|             | <b>Subject</b>   | <b>Page</b> |
|-------------|--|-------------|
|             | <b>Foreword</b>  | <b>5</b>    |
|             | <b>Introduction</b>  | <b>9</b>    |
|             | <b>Part 1</b>  | <b>13</b>   |
|             | <b>A reminder of the most prominent challenges from a perspective of employment and unemployment in the Arab World</b> |             |
| <b>I</b>    | <b>The general economic and social context in the Arab states:</b>   | <b>15</b>   |
| <b>II</b>   | <b>Challenges of unemployment</b>  | <b>19</b>   |
|             | 1. The general context   | 19          |
|             | 2. A brief description of unemployment in the Arab states  | 23          |
| <b>III</b>  | <b>Most significant reasons of unemployment determinants in the Arab states</b>  | <b>26</b>   |
|             | 1. Demographic determinants  | 26          |
|             | 2. Economic determinants   | 27          |
|             | 3. Education and Training determinants   | 31          |
| <b>IV</b>   | <b>Poverty Issues</b>  | <b>32</b>   |
| <b>V</b>    | <b>Issues of Social Security</b>   | <b>35</b>   |
| <b>VI</b>   | <b>Productivity Issues</b>   | <b>36</b>   |
| <b>VII</b>  | <b>Forced Migration and Mass Displacement in Recent Years</b>  | <b>38</b>   |
| <b>VIII</b> | <b>Efforts of the Arab labor Organization</b>  | <b>39</b>   |

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|            |  |           |
|------------|--|-----------|
|            | <b>Part 2</b>  | <b>47</b> |
|            | <b>Prospects of the Arab Labor Organization and its New Foci of interest</b>             |           |
| <b>I</b>   | <b>Demographic Transition</b>  | <b>49</b> |
|            | 1. The concept of demographic transition   | 49        |
|            | 2. Early signs of demographic transition in Arab countries                               | 52        |
|            | 3. The impact of demographic transition on employment in Arab countries                  | 55        |
|            | 4. Early signs of demographic transition in the Arab countries                           | 57        |
| <b>II</b>  | <b>A reminder of classically known approaches to the labor market: supply and demand</b> | <b>59</b> |
|            | 1 Supply of labor force  | 59        |
|            | 2 Demand for labor force   | 60        |
| <b>III</b> | <b>The role of the ALO in aligning supply and demand</b>                                 | <b>61</b> |
| <b>IV</b>  | <b>New Approaches to the Labor Market</b>  | <b>63</b> |
|            | <b>A. The micro-economic dimension: Entrepreneurship economy</b>                         | <b>63</b> |
|            | 1. Entrepreneurship  | 63        |
|            | 2 The relation between new professions and the economy of knowledge                      | 67        |
|            | <b>B. The macro-social dimension</b>   | <b>71</b> |
|            | 1. Social and solidarity economy: concept, dimensions and manifestations                 | 71        |
|            | 2. The informal sector (economy) and its operation dynamics                              | 75        |
|            | <b>Conclusion</b>  | <b>85</b> |

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## *Foreword*

The current reality in several Arab states unveiled substantial development challenges, which have become more appealing and urgent than ever. The most prominent challenges include, but not limited to, issues of unemployment, problems of poverty and vocational training associated with it, problems of social security and the necessity of covering all its production sectors so as to improve indicators of Decent Work, as well as issues of productivity and the need to raise its productivity levels to promote economic performance so as to expand the operational capacity of the Arab economies.

After describing and analyzing these challenges, and highlighting endeavors of the Arab Labor Organization (ALO) in all these areas as well as ALO determination to pursue the overall social and economic approaches, the current report, presented to session (43) of Arab Labor Conference, seeks to spot the light, from an analytical view point, on new insights to the labor market. This analytical view point is based on partial processes in terms of micro-economic and micro-social dimensions so as to adequately mobilize underutilized economic and human resources.

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The Arab Labor Organization gathers pace to further promote several economic resources including entrepreneurship, which has become a prominent engine to counter youth unemployment. Other economic resources include new professions associated with the economy of knowledge and smart communities, which represent a wide spectrum of knowledge labor, and therefore provide high-value job opportunities for university graduates.

The social resources that the Arab Labor Organization tends to promote include paying more attention to social economy, whose solidarity dynamism represents a new wide labor space. In addition, it corrects imbalances in the public and private sectors, as evidenced by different international experiences.

In this new approach, the Arab Labor Organization seeks also to embark onto the problematic area of the shadow, informal, sector (economy), and the need to facilitate its integration in the formal sector to promote its economic and social performance. However, caution should be taken while tackling this sector to maintain its dynamism on the level of social entrepreneurship and its significant participation in economic drive in general and in job creation in particular.

General features of this approach, as condensed and displayed in the current report, are dictated by the current development challenges in

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terms of chronic unemployment and its associated problematic issues, in terms of poor economic performance and low productivity levels.

Furthermore, this approach is based on a governing idea that attention should be given to the phenomenon of 'demographic transition', which have been witnessed in several Arab states, while the other states are on the verge of it, yet with varying degrees. Demographic transition is usually characterized with the increase of the active age, which is the age group 15-64, and hence the expansion of the labor force.

Recalling the fact that all the Arab states need to create 35 million job opportunities to decrease the current unemployment rates to half by 2020, and 28 million\* job opportunities to absorb new entrants to the labor market in the same year (2020), the new population pyramid is the main reason for this. We understand the seriousness of these future challenges and the urgent need to mobilize all economic and social inputs to transform the demographic transition phenomenon from a threat to social order to a 'golden opportunity' to improve all development indicators, and in particular employment and reducing unemployment.

In conclusion, I would like to stress that demographic transition phenomenon and the expected increase in woman participation in the labor market shall represent in the coming few years the biggest

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\* Source: Arab Monetary Fund/ Unified Arab Economic Report 2014, P. 47.

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challenge to the Arab states, individually and collectively, unless appropriate attention is given to expand the domain of economic participation.

To maximize benefits from development returns of this 'demographic gift', this phase should be planned, and early development policies should be adopted to respond to the requirements of the anticipated requirements of the population shifts.

As these general approaches for the next phase are put for discussion in this report, we look forward to your observations and recommendations to enrich this subject, seeking to unify visions and supporting the joint Arab action in the shade of the current challenges facing the Arab regions.

Thank you.

**Faiez Ali AL Mutairi**  
**Director General**  
**The Arab Labor Organization**

Cairo, March 2016



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## *Introduction*

The Arab world has witnessed in recent years its most difficult stages ever in modern history. It is evident that these serious developments are reflected as conflicts, tensions and sharp protests in several Arab states.

A deeper look at the current situation would draw the attention that these developments are driven by a wave that take us back to social and economic development issues in most Arab states. This has reduced levels of national security and duly Arab security.

Based on the mission of the Arab Labor Organization regarding labor fields and associated issues, and as the Organization is convinced with the seriousness of the conditions of the labor market and their consequences on the safety and security of Arab societies, while seeking to reduce social instability, especially aggravation of unemployment problem, ALO has gathered pace and accomplished – both before and after the recent dynamism – several reports and studies. Such studies aim to diagnose the status of the labor market from all aspects and perspectives, to launch agendas, strategies and programs for the promotion of employment and reduction of unemployment, and to improve social legislations to expand social protection umbrella to include all sectors, including workers in the agricultural sector. More

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recent initiatives in this regard include the Arab Recommendation number 9 on the social protection of workers in the unofficial economic sector, adopted by the Arab Labor Conference in its 41<sup>st</sup> session in 2014.

Integrating with the social dimension of employment, endeavors of the Arab labor Organization in dealing with the problem of unemployment promote the economic approach. The organization has been doing this through emphasizing the ultimate significance of the role of the private sector as the expected replacement for the public sector on the levels of growth, employment and decreasing unemployment. Releasing the power of the private sector, as evident from different seminars and forums organized by the ALO, including the recommendations of the 1<sup>st</sup> Arab forum on the role of private sector in development and employment (Rabat 2008) necessitates adopting several procedures that can be summarized as follows:

- More improvement of the business climate: A stable total economic framework, a flexible legislative framework, an appropriate infrastructure, and facilitating conducting business,
- More development of human resources to cope with the needs of the economic demands,
- Building contractual partnerships between the public and private sectors, where roles are integrated so that the role of the public

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sector covers strategic non-competitive sectors while the market shall be wide open for the private sector in competitive sectors.

The Arab Labor Organization has managed to mobilize competencies on these issues through social dialogue between production parties, on the national and Arab levels. ALO has also succeeded to get the issue of employment and unemployment adopted as an item in Arab economic and social development summits.

However, it is urgent to state that this report stresses the continuation of the much valued previous efforts, and duly build on them. Meanwhile, it expands the frame of analysis and solutions to more address the problem of unemployment in the Arab world through spotting and duly exploiting all possibilities of employment, which we be may overlook, though big rivers are made of small streams.

In this sense, and in parallel with continued attention to total economic and social approaches to issues of employment and unemployment, this report aims at expanding the range of visions and insights through incorporating an additional approach from a micro-economic and a micro-social perspective that would enrich the endeavors of the Arab Labor Organization as a think tank that offers help on the national and Arab levels. This aims at opening new horizons for job creation as well as economic and social integration, especially in the light of embarking into the stage of demographic transition in several Arab states, which

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represents additional pressures on the labor market, unless more attention is given as early as possible.

Within this framework, the current report comes in two main parts:

**Part I:** A reminder of the most prominent challenges from a perspective of employment and unemployment in the Arab World, and

**Part II:** Prospects of the Arab Labor Organization and its new foci on embarking into the third stage of demographic transition and requirements of the 'demographic window': an employment perspective.

## **Part 1**

**A reminder of the most prominent  
challenges from a perspective of  
employment and unemployment  
in the Arab World**

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## **I. The general economic and social context in the Arab states:**

The current reality in some Arab states unveils, in several forms, fundamental development problems, which were the trigger of the crises we live in now. The most prominent of these problems include, but not limited to, the following:

- New development challenges associated not only with quantity indicators relevant to gross domestic outputs, but also with social, human and cultural development indicators,
- Challenges of the sustainable development in its relation to local (regional) development, and terms of sustainability for the good of the present and future generations,
- Challenges of Knowledge, which becomes the access key to the globalized economy and duly to take advantage of all available opportunities to accelerate growth rates, and
- Challenges of the social and economic context, which dictates new review and analysis frameworks to understand it and duly act, especially on issues of interest to this report, i.e., issues of employment and unemployment which have been ringing alarm bells.

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These challenges can be summed up in the new values, known as the **second generation of human rights**. In particular, these rights include the right to work, the right to legislative and social protection, and the right to citizenship. These rights were included in the 'Universal Covenant on Economic, Social and Cultural Rights' and in the 'Millennium Development Goals' adopted by the United Nations Organization in 2000.

In the shade of the current fundamental challenges and giant economic blocks, these development issues have exceeded the potentials of a single state, and therefore cannot be solved without the realization of Arab cooperation mechanisms, as established in the resolutions of the Arab leaders in the social and economic summits (Kuwait 2009, Sharm El-Sheikh 2011, and Riyadh 2013). This guarantees the common interests for all parties, warrants leading the deep transformations in relation to the Arab social and economic integration, the relations with globalization-driven regional and international blocks, in addition to increasing national and Arab security at the strategic level.

Again, we emphasize that solving these chronic problems requires paying the utmost attention to the human element, as the ultimate goal of development. Meanwhile, the human element is an essential resource to realize the aspired development, however in its new terms.



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These terms include further stimulating and supporting investments, increasing development rates both quantitatively and qualitatively, maximizing its potentials to generate jobs, increasing productivity of production factors, improving performance and competitiveness of the economy, and supporting the knowledge economy through the development of education and training systems and therefore investing their outputs in production according to international standards.

Quality development in its 'inclusive' new meaning does not stop at this point, but goes beyond it to also include guaranteeing requirements of empowerment that should be equitable to all parties, fair social and human development, balanced local (regional) development, and sustainable development to guarantee the rights of future generations.

In this context, the Arab Labor Organization has gathered pace to boost inter-Arab cooperation in labor issues, including nineteen (19) Arab labor agreements and 9 Arab labor recommendations.

On the other side, Item one of the 41<sup>st</sup> session of the Arab Labor Conference 2014 was entitled '*Prospects of Arab cooperation to boost employment*'. In addition, Item one of the 42<sup>nd</sup> session of the Arab Labor Conference 2015 was entitled '*Tripartite social dialogue: Embodiment of solidarity for development and employment*'.

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It must also be pointed out that the inter-Arab economic cooperation takes multiple economic forms. Here, it is not limited to inter-Arab investment and trade, but it bypasses this to include:

- Development aids provided on concessional terms through bilateral channels,
- Unconditional grants provided by government agencies, and
- Aids provided by charity organizations and non-state actors.

This cooperation aims at supporting development projects, boosting employment, fighting poverty, and improving living conditions.

In this context, it is worth noting the initiative of the State of Kuwait, launched during the social and economic development summit (Kuwait 2009), to inaugurate a special account in the Arab Fund for Social and Economic Development in order to finance and support small and medium-sized projects of the private sector in the Arab states.

In total, development aids and grants between Arab states in 2013 amounted to at least 13.7 billion US dollars.

The combination of these factors gradually serves the objectives of the comprehensive development, including, in particular, labor issues, balancing supply and demand in the labor market, intensifying awareness

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of all types of job seekers, and the gradual absorption of unemployment. **This is the main focus of the current report.**

## **II. Challenges of unemployment**

### **1. The general context**

Defying all solutions, unemployment is one of the most significant and most appealing development challenges in the Arab region. The growing numbers of the unemployed both on the national and Arab levels, the urgent waiting line of unemployment for youth, families and communities as a whole, and the continuous development of economic needs as well as the accelerated rate of changes of the labor market by virtue of the development of production systems and forms of economic activities require an ever renewable social and economic tactic and a strategic approach that would be on the alert constantly to monitor developments, address urgent labor and workers issues and explore developments of the next phase on the social, economic, knowledge and demographic levels.

One of the justifications of this approach is that unemployment is a chronic and complicated phenomenon, as it is no longer confined to its economic and social dimension, as conventionally maintained in the liberal economic theories. However, this phenomenon, as revealed by

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recent developments in some Arab states, has a political dimension related to the dysfunctional development option, despite all efforts exerted and duly the unsuccessful practical policies. This has resulted devastating social and economic effects due to the accumulation of the causes of unemployment and the waste of human potentials and capabilities.

In addition, unemployment is not confined to loss of income, disruption of production capabilities, and waste of social investments in terms of education and training. Yet, it goes beyond this and creates a sense of exclusion, frustration and disaffiliation.

Unemployment, in all these senses, haunts governments, and becomes an obsession to all forces of society, and yet holds everyone responsible. Addressing unemployment requires inevitable determination of an area of strategic options, practical measures, intervention tools, distribution of roles, and sharing responsibilities as agreed upon between production parties. This would be a catalyst for development approaches that go in line with economic challenges and new social benefits within a framework of policies that put employment, unemployment and human resources atop of development priorities.

In light of the requirements of the economic development and requirements of the social development from one perspective, urgent waiting lines from another, and in light of the limited margin of

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movement by most Arab states from the other, the reality and horizons of Arab development require an orientation towards making development plans to be subject to the requirements of the concept of "total defense" and their manifestations would include **drafting a new and agreed upon social and economic contract** that would have the following key objectives:

- Expanding the operational capacity of the economy, especially the market economy (the private sector),
- Expanding economic participation and social inclusion and integration through supporting the capabilities and potentials of all parties,
- Improving the living standards, especially for popular social segments of the society,
- Increasing indicators of the Decent Work in all economic sectors, both formal and informal,
- Improving productivity indicators, especially labor productivity, and
- Enhancing economic competitiveness to confront internal and external challenges of competition.

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The most important points expected from this approach are restoring hope and reinstating the mutual trust on all levels, and in all directions, such as:

- Confidence of youth and society in the development process, starting from all dimensions of the social benefits, and in particular considering employment a cornerstone of the individual's dignity and a basic right of citizenship,
- Confidence in the stability of the institutional framework as well as the business environment and its transparency,
- Confidence of the national, Arab and foreign investors in the horizons of development, in economic and social legislation, in the neutrality of the judiciary systems, and in all adopted reforms, and
- Confidence of financial markets and regional and international financing agencies in the economy. This confidence depends in basic on reports of credit rating agencies, such as Standard and Poor's, Fetch and Moody's, which evaluate and rank different states on the economic level; such international ratings are amongst the most important mechanisms in evaluating prospects and risks of investment, and which investors rely on to make investment decisions in any country.

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Confidence-building to achieve this development model requires working on the cultural level towards reconciling between the society and the economy, between the individual and the institution, and between the administration and the clientele. This should also be accompanied by focusing on the importance of the role of the private sector.

## **2. A brief description of unemployment in the Arab states**

In recent years, labor market conditions, which are already bad, on the national and Arab levels, have aggravated in transitional periods which several Arab states are currently experiencing due to political instability, deterioration of the security situation, the decline in investment, confusion of the economic dynamism, and balance deficits, and reduction of sovereign credit rating of several Arab states. This has led to difficulties in foreign borrowing.

Under these conditions, and based on the most recent estimates of the Arab labor Organization, the total unemployment rate in the Arab states amounts to 17%. This means that unemployment strikes more than 20 millions 2014.

In addition to this general rate of unemployment, there is masked unemployment, due to the outspread of several types of fragile and non-standard employment in the informal sector, which represents a

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considerable portion in the Arab economies. However, it is worth mentioning that non-standard employment affects also the formal sectors. The most prominent characteristics of unemployment, without details, include:

### **2-1 Youth unemployment:**

The general rate of youth unemployment is estimated at more than 27%, according to the most recent data available to the Arab Labor Organization<sup>1</sup>, with a major disparity among Arab Countries which represents more than double the global general rate of youth unemployment (12.7% in 2012<sup>2</sup>).

Perhaps the most serious issue in unemployment is its psychological dimension, which bears a devastating effect on the individual, as many of the unemployed withdraw from the labor market because of despair in employment, to the extent of losing the sense of citizenship and belonging. This frustration leads to what is known as 'sleeping unemployment' or searching for vocational and life projects abroad. This is evidenced by the huge desire of the youth to immigrate to areas of economic boom. Immigration is not limited to 'regulated' immigration,

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<sup>1</sup> Arab Labor Organization. The Periodical Book for Labor Statistics in Arab States. 2013

<sup>2</sup> Adel Abdul Rahim. Position of youth in employment policies in the Arab states. October, 2012.



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but extends to include waves of illegal immigration, in spite of all its risks.

## **2-2 Unemployment with a wide gap between men and women**

In addition to high rates of youth unemployment, estimated as 27% as already stated earlier, this type of unemployment is characterized by the wide gap on the level of gender. In 2011, the International Labor Office estimated unemployment in the Arab region among males at 23%, and at 41% for females, I.e., a disparity of 18 percentage. Meanwhile, this gap has diminished significantly in all world regions in recent years; in 2011, the gap was less than 12% in Latin America and the Caribbean, 2% in South Asia and 3% in Southeast Asia<sup>3</sup>.

## **2-3 Unemployed graduates of higher education:**

Compared to different segments of job seekers, holders of university degrees represent the highest unemployment rates in all country experiences .

The high rates are due to several factors, including lack of compatibility between the higher education system in the Arab states and the limited ability of the economy to create enough job opportunities, both in

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<sup>3</sup> BIT (2012), Rapport V : la crise de l'emploi des jeunes : Il est temps d'agir

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quantity and quality. In addition, there is the problem of matching education outputs and economic needs. All this is seen as a deficiency in planning human and economic resources.

### **III. Most significant reasons of unemployment determinants in the Arab states**

It has become self-evident that the transitional circumstances in the Arab region have exacerbated the phenomenon of unemployment. This is true. However, it is also true that unemployment has its structural causes.

#### **1. Demographic determinants:**

Demographic factors are still an active player in the labor market, as the population growth estimated at 2.3% per annum continues, and so does the growth of population segment at activity age, which is estimated at 2.5% per annum.

If these demographic factors tend toward contraction and stability in the context of the entry of several Arab states the stage of demographic transition (see Part 2), the biggest pressure in the coming years will come from the expected rise in the ratio of women's activity, which is assessed at 24.2%, according to the most recent available data to the Arab Labor Organization. According to the World Bank projections, the rate of

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women's participation in the Arab labor market will rise to about 35% in 2020<sup>4</sup>.

## **2. Economic determinants:**

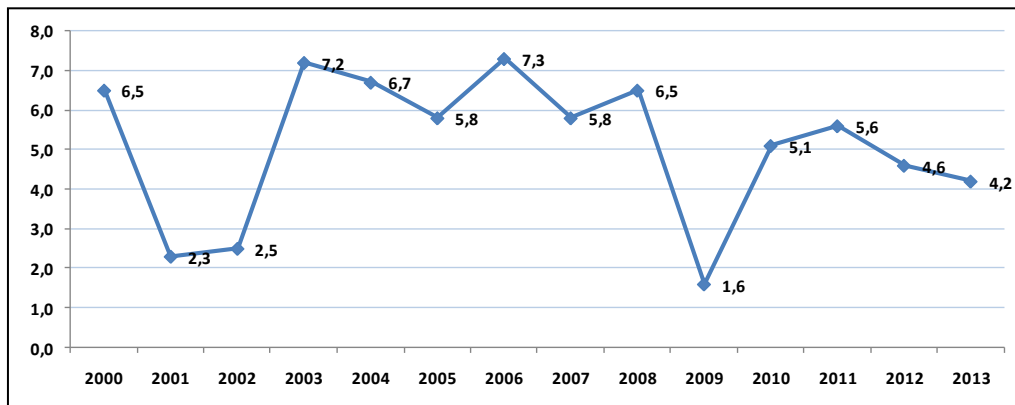
### **Inadequate economic growth and its operational contents:**

#### **2.1 Economic growth:**

Economic mobility is one of the most important determinants of employment. What is generally noted in this context is that gross investment on the Arab level remains limited, as it does not generally exceed 25% of GDP. The private sector's share in it does not exceed 14%. Furthermore, the rates of economic growth, which reached 4.2% in 2013 remained volatile and sometimes declining in recent years, as the following chart illustrates:

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<sup>4</sup> BM (2009), Indicateurs de développement dans le monde



Source: Arab Monetary Fund (2014), the unified Arab economic report

The average growth rate in the Arab region is lower than the averages in Asian regions:

### Growth rates in Asian regions

|            | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------|------|------|------|------|------|------|------|------|
| East Asia  | 10.9 | 12.1 | 7.8  | 7.1  | 9.8  | 8.5  | 8.2  | 8.6  |
| South Asia | 8.9  | 9.4  | 5.9  | 6.2  | 9.2  | 7.2  | 7.1  | 7.6  |

Source: BIT = Tendances mondiales de l'emploi. 2014

On the level of individual Arab states, growth rates recorded in 2013 in most states did not exceed 4%, as illustrated in the following table:

### GDP Growth Rate for Arab States (2012 – 2013)

| Country           | GDP Growth rate in Arab states |      |                   |       | GDP Growth Rate Per Capita |      | GDP Growth Rate in \$ |       |
|-------------------|--------------------------------|------|-------------------|-------|----------------------------|------|-----------------------|-------|
|                   | In Fixed Prices                |      | In Current Prices |       | In Fixed Prices            |      | In Current Prices     |       |
|                   | 2012                           | 2013 | 2012              | 2013  | 2012                       | 2013 | 2012                  | 2013  |
| <b>Jordan</b>     | 2.7                            | 3.3  | 7.3               | 8.6   | 0.4                        | 1.0  | 7.3                   | 8.6   |
| <b>UAE</b>        | 4.7                            | 5.2  | 7.2               | 8.1   | 8.1                        | 4.1  | 7.2                   | 8.1   |
| <b>Bahrain</b>    | 3.4                            | 5.4  | 5.6               | 6.9   | -0.8                       | 4.6  | 5.6                   | 6.9   |
| <b>Tunisia</b>    | 3.6                            | 2.7  | 9.2               | 8.4   | 2.6                        | 1.6  | -1.5                  | 4.1   |
| <b>Algeria</b>    | 3.3                            | 2.7  | 9.1               | 12.2  | 1.3                        | 0.7  | 2.5                   | 10.6  |
| <b>Djibouti</b>   | 4.8                            | 5.0  | 9.1               | 7.6   | 1.7                        | 1.9  | 9.1                   | 7.6   |
| <b>KSA</b>        | 5.8                            | 3.8  | 9.6               | 2.0   | 2.9                        | 1.1  | 9.6                   | 2.0   |
| <b>Sudan</b>      | -3.0                           | 3.7  | 30.5              | 21.0  | 15.6                       | 0.5  | -2.3                  | -9.0  |
| <b>Syria</b>      |                                |      |                   |       |                            |      |                       |       |
| <b>Iraq</b>       | 10.3                           | 5.2  | 16.5              | 6.1   | 7.7                        | 2.6  | 16.9                  | 6.1   |
| <b>Oman</b>       | 5.0                            | 5.1  | 11.5              | 2.8   | -5.0                       | -1.3 | 11.5                  | 2.8   |
| <b>Qatar</b>      | 6.2                            | 6.1  | 11.9              | 6.6   | 2.9                        | 3.9  | 11.9                  | 6.6   |
| <b>Komoros</b>    | 3.0                            | 3.5  | 5.4               | 7.6   | 0.6                        | 1.2  | -2.2                  | 3.0   |
| <b>Kuwait</b>     | 6.2                            | 0.8  | 14.6              | 2.3   | 2.8                        | -2.9 | 13.0                  | 1.0   |
| <b>Lebanon</b>    | 1.7                            | 1.3  | 6.7               | 5.5   | 1.1                        | 0.7  | 6.7                   | 5.5   |
| <b>Libya</b>      | 104.5                          | -2.5 | 134.2             | -21.5 | 101.2                      | -5.7 | 126.8                 | -22.5 |
| <b>Egypt</b>      | 2.2                            | 2.1  | 14.9              | 11.3  | -0.3                       | -0.4 | 11.4                  | 3.5   |
| <b>Morocco</b>    | 2.7                            | 4.6  | 3.2               | 7.1   | 1.6                        | 3.5  | -3.1                  | 9.5   |
| <b>Mauritania</b> | 7.0                            | 6.7  | 0.3               | 6.4   | 4.5                        | 4.2  | -3.7                  | 6.4   |
| <b>Yemen</b>      | 2.4                            | 4.2  | 3.5               | 12.4  | -0.5                       | 1.2  | 3.2                   | 12.1  |

Source: Arab Monetary Fund (2014), the unified Arab economic report

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In this regard, it should be noted that:

- These rates. Though close to the average international rates, are not able to overcome the challenge of unemployment. The significant reduction of unemployment rates requires a growth rate of about 8% per annum, according to the World Bank estimates;
- The reduction of unemployment rates requires a better employment growth rate. It has been observed that employment growth rates in recent years could barely cover the new entrants to the labor market, in addition to the inability to absorb the already existing unemployed, which explains the cumulative dimension of the phenomenon.

## **2.2 Employment growth:**

Inadequate rates of economic growth have blocked the increase of the annual percentages of employment, which hardly covers the new entrants to the labor market. This does not allow the gradual reduction of unemployment.

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### **The annual rate of employment growth 2001-2011**

|                       | 2001-2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|-----------------------|-----------|------|------|------|------|------|
| Middle Eastern states | 4.6       | 3.9  | 1.7  | 4    | 3.8  | 2.3  |
| North African states  | 3.4       | 3.7  | 2.9  | 2.2  | 2.2  | 0.0  |

Source: BIT(2012) = Tendances mondiales de l'emploi

It should be also noted here that growth rates for 2015 and 2016 would decline compared to previous records, due to the sharp decline in oil prices and its impact on growth rates and employment growth in several Arab states.

### **3. Education and Training determinants:**

The causes of the dilemma of unemployment return to the wide gap between the outputs of the public education system and vocational education and training systems on the one hand, and labor market needs at the level of technical skills and soft skills. This is a general phenomenon in the Arab states, and is particularly reflected through an increasing demand for foreign labor in some states.

At a time when the production system is globalized and a large part of it is subject to the 'knowledge labor' with international standards, international labor market variables have accelerated and have become open and more competitive. Meanwhile, in regard of their legislative and

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regulatory dimensions as well as their education and training systems, the Arab labor markets, and despite all the efforts exerted, have remained slow in progress to catch up with the accelerations of the labor market needs, development needs and coping with international standards. This is deemed as an essential factor in increasing unemployment, a waste of human potentials, and a reason for the expansion of the phenomenon of poor workers (30% of workers) in the Arab region.

#### **IV. Poverty Issues:**

Connected to the problem of unemployment, poverty issues are deemed as one of the development challenges in most Arab states. History, both ancient and modern, is a witness that poverty has always been a main reason for triggering major political and social revolutions in the history of mankind.

In our time, which is full of new values and concepts, poverty has expanded from the traditional definitions that link it to income, financial or material poverty. Its meaning has expanded to include the following:

- Relative poverty, which is the inequality in living, on the basis of a comparison to the average national income. The relative poverty is measured based on the number of the poor population living under the average national income, through the average family income or the average per capita expenditures.



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- Human poverty, which is the poverty of participation capacity and lack of access to social services such as health care, social coverage, education and cultural services. This type of poverty occurs when possibilities of enjoying state-provided services (citizenship rights) are diminished or weakened.
  - Collective (mass) poverty, which is relevant to the lack of community services such as running water, drainage, and a healthy environment for a group of people in a certain place.

The concept of poverty, in this sense, is a global phenomenon. Yet, it is still a phenomenon in the most Arab states that has emerged due to imbalances in economic and social policies, and is well-represented through the following:

- The dimension of the distribution of growth outcomes through the concept of the sponsoring state,
- The dimension of amendments through labor legislation,
- The dimension of empowerment, through policies of empowering individuals to exploit the available resources, and
- The dimension of protection to human dignity based on basic human rights system.

The phenomenon of poverty, as indicated above, is closely linked to unemployment, which hinders economic integration and social

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networking. Unemployment for a long time, decline of vocational skills and disinclination on to look for work due to despair lead most of the time to material poverty, isolation, and loss of social identity. As seen in Arab societies, poverty is also a result of non-standard work in the informal sector, and even in the formal sector, sometimes.

A sociological observer of the dynamics and structure of the recent and continuous popular dynamisms in some Arab states would note that poor workers in the informal sector, along with the unemployed, were the trigger of protests.

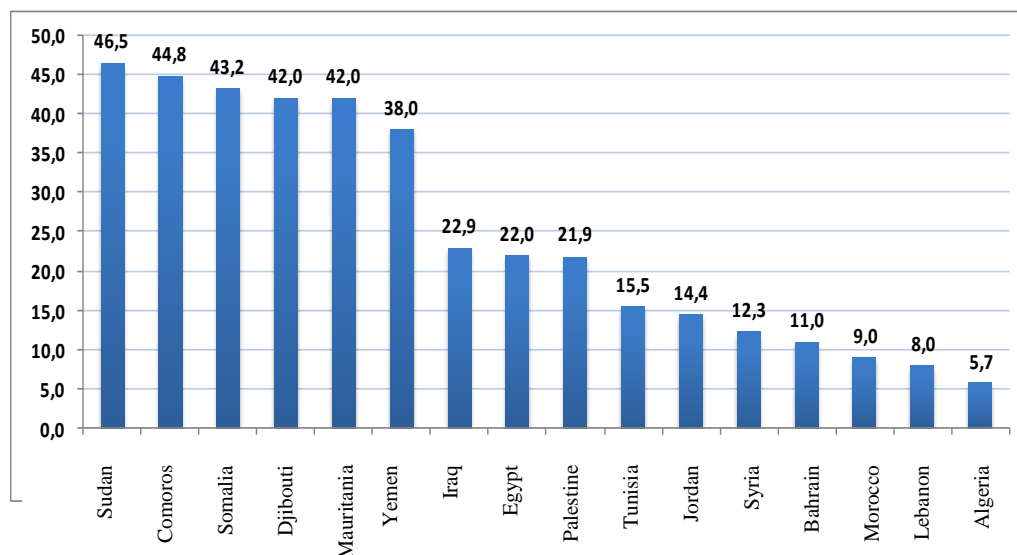
It is useful to note here that the Arab region has achieved, in general, a remarkable progress in reducing poverty rates from 5.5% in 1990 to 4.1% in 2010. However, those rates leaped to 7.4% in 2012<sup>5</sup>. This Relatively low overall rate obscures a huge disparity between different Arab states, as evidenced in the following chart:

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<sup>5</sup> Arab Monetary Fund (2013), the Arab Unified Economic Report.

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**The proportion of income poverty in Arab countries according to national poverty line (based on the latest available data)**



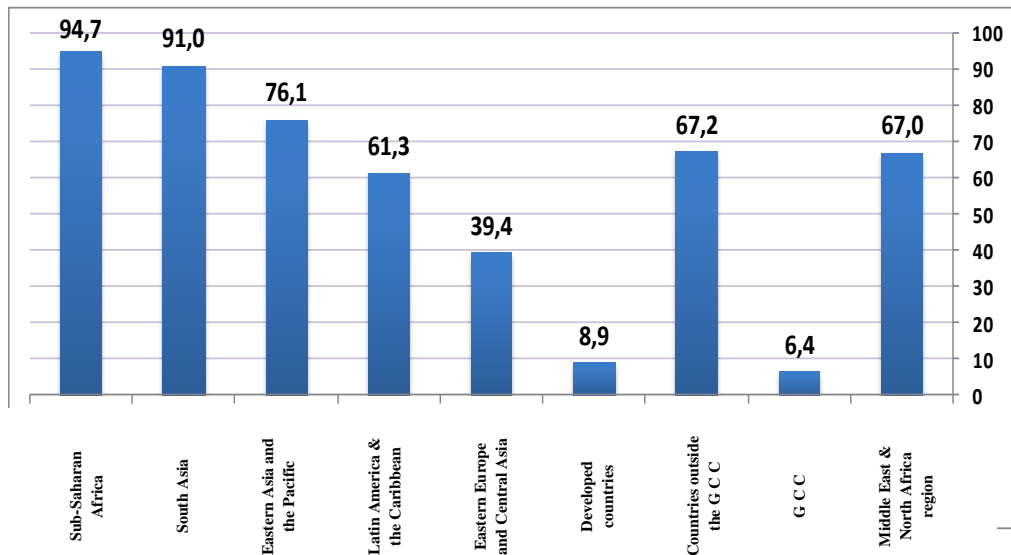
Source: Arab Monetary Fund (2013), the Arab Unified Economic Report

## **V. Issues of Social Security:**

Despite the continuing efforts of the Arab Labor Organization in the field of work conditions, standards and social protection, the social security network needs more attention as social security in 2010 covered less than 33% in the whole Arab world. Though this percentage is higher than the percentages in the developing or emerging economic regions, it is too much less when compared to developed countries, as illustrated in the following chart:

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### Percentage of workers not covered by social security - 2010



Source: Roberta G. et al. Seeking better jobs: labor challenges in the informal sector in the Middle East and North Africa, the World Bank, September 2011.

## VI. Productivity Issues:

Productivity is one of the most important economic concepts as it is the fruit of several production inputs. Theoretically speaking, measurement tools can be calculated in two ways:

- Multi-factor measurement, which is based on all production inputs to achieve a certain level of production: labor factor, capital

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factor, technicalities, natural resources, research and development, methods, and management.

- Mono-factor measurement, which establishes a relation between production and one input: productivity of labor or productivity of capital, and duly measures efficiency of each.

The focus is usually put on the productivity of labor for easy calculations and for its direct economic significance in terms of both total and partial competitiveness on the one hand and socially in terms of qualifying and rewarding employment on the other hand. Productivity of labor is usually taken as human potentials and their ability to employ knowledge and technological resources.

Labor productivity is defined as the calculation of the volume of production of goods and services divided by production units, measured by the number of workers or the number of working hours.

Productivity, on the economic level, is a major determinant of the performance of economies and GDP. On the social level, productivity and social welfare indicators go '**hand in hand**', as productivity is able to:

- Improve wages, incomes and living standards through distributing the benefits of productivity, and thus decreasing the phenomenon of poverty. Effects of productivity, hence, are not measured only

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according to the relation between productivity and the number of workers, which reflects efficiency of work, but also according to the relation between productivity and the total population, which reflects the wealth of the society as a whole,

- Create job opportunities for high-skilled labor,
- Reduce working hours, and
- Preserve the environment and alleviate pressures on the natural resources by focusing on the new resources of growth.

In general, the level and quality of living in any given society may be measured by the volume of wealth production, and distribution of the benefits of productivity. This explains, mainly, the disparity of welfare and prosperity in different societies.

In the Arab case, different reports highlight the decline of productivity levels which had a negative effect on the performance of most Arab economies in terms of domestic outputs, quality of jobs, and levels of wages.

## **VII. Forced Migration and Mass Displacement in Recent Years:**

Conflicts, tensions and instability in several Arab states in recent years have produced big waves of domestic displacement, which affects

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employment services on local level, and waves of forced migration to Arab neighboring states such as Jordan, Lebanon and Egypt. This adds more pressures to the already complicated labor markets in the receiving states.

This exceptional situation requires adopting urgent measures and procedures and coordination between the Arab Labor Organization and relevant Arab and foreign bodies on the one hand and the receiving states on the other hand to relief these immigrants.

### **VIII. Efforts of the Arab labor Organization:**

Based on its mission and responsibility on the Arab level, the Arab Labor Organization started, as early as the year it has been founded, to put in place Arab strategies, plans and programs that have been gradually expanded to fit in the context of different countries on the one hand, and to further Arab economic and social integration on the other hand.

The most recent technical references launched by ALO include:

#### **1. The Standard Arab Classification of Professions (2008)**

Issued in 2008, based on the Standard International Classification of Professions, this standard Arab classification includes about 3000 professions as the classification setting their names, descriptions and their practice conditions.

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This classification brings together professional skills and labor market needs, builds the wage scale, and selects areas and levels of specializations in technical education and training programs. In addition, this standard helps building professional indicators and unification of terminology. Furthermore, the classification represents a technical mechanism that assists in facilitating labor mobility between Arab states within the framework of inter-Arab cooperation.

## **2. The Arab Decade for Employment (2010 – 2020)**

Adopted during the Arab Development Economic and Social Summit (Kuwait, 2009), the Arab Decade includes certain strategic objectives such as:

- Reducing to half unemployment rates in all Arab states,
- Reducing to half the percentage of people whose income is below the poverty line,
- Facilitating Arab labor mobility between Arab states,
- Increasing productivity growth rate by 10% during this decade in all Arab states, and
- Increasing the percentage of people enrolled in technical education and vocational training to be 50% of those enrolled in general education.



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### **3. The Integrated Program to Support Employment and Reduce Unemployment (2009)**

This program consists of six (6) projects :

- The Arab Network for Labor Market Information,
- The Arab Observatory Project to monitor the Arab labor markets and observe their developments,
- Nationalization of Occupations Project to follow up the application of policies and programs of national labor employment,
- Matching Education and Training Outputs with Labor Market Needs Project,
- Arab Youth Employment Project, and
- Project of Building Capabilities in the field of Establishment and Promotion of Small and Medium Enterprises (Pilot) .

### **4. The Arab Strategy for Technical and Vocational Training and Education: (2010)**

This strategy has been adopted in the 37th session of the Arab Labor Conference (Manama, 2010) . It forms a long term approved plan of action, with the view, to enhance the performance of the education, technical and vocational System.

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This strategy includes two parts. The first part is concerned with the technical and vocational training and education system in the Arab states, whereas the second is concerned with the elements of this strategy, elaborating the objectives of each element, as well as the policies and procedures needed to support it on the national and Arab levels.

The significance of this strategy lies in assisting the Arab states, both individually and collectively, to confront several economic and social challenges through the provision of qualified labor force through increasing the performance of the technical and vocational training and education system.

#### **5. The Arab Network for Labor Market Information: (2014)**

Seeking to further describe the reality of technical and vocational training and education, and in addition to the Standard Arab Classification of Professions, the Arab Labor Organization has presented 'the Arab Network for Labor Market Information'. This network has been one of the projects of the integrated projects proposed in 2009. The Arab Labor Conference has endorsed the document of the Network in its 41<sup>st</sup> session in 2014.

This Network aims at producing and organizing data of the labor market in a continuous, updated and integrated form on the Arab level, and duly puts them in place for production tripartite in order

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to develop policies of training and employment so as to reduce unemployment.

In the process of data collection for all specializations, the Network relies on the Standard Arab Classification of Professions.

#### **6. The Arab Strategy for Media and Communication in Economic and Social Development and Labor Issues (2015)**

This strategy has been set forth based on the following systematic approaches:

- Vision: The need to make available advanced media on economic development areas and labor issues.
- Mission: Providing the appropriate environment for Arab media to play its development media role.
- Values: Transparency, accuracy and credibility of media.

These efforts aim at increasing employment and decreasing the pressures of unemployment as well as developing the technical vocational education and training system on the Arab level. This comes as a part of the Arab labor Organization's recognition that the labor force is one of the most significant elements of economic development and social progress in all countries. In addition to preparing and qualifying the labor force, the Arab Labor Organization has expanded the concept of labor force to include social security, occupational health and safety, social welfare, labor education,

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dialogue between production parties, and facilitate labor mobility between the Arab states.

In this context, there has been a growing interest in recent Arab labor conferences in the issues of unemployment, microenterprises, employment agendas (the Arab decade for employment), balanced development, social protection, social and economic Arab cooperation, social dialogue, labor market information, and furthering competitiveness to promote employability.

The Arab Labor Organization has been successful to raise the issues of employment and unemployment in recent years to the highest Arab authority of decision making, in economic and social development summits (Kuwait 2009, Sharm El-Sheikh 2011, Riyadh 2013), and duly very significant strategic decisions have been adopted.

Against the background of mobilizing the efforts of all parties, the Arab labor Organization held several forums and conferences that have been successful in issuing declarations and statements. They include:

- 'Doha Declaration' issued by 'the 1<sup>st</sup> Arab Forum for Development and Employment' (Doha, November 2008).
- 'Algiers Statement' issued by the '1<sup>st</sup> Arab Conference on Youth Employment' (Algiers, November 2009).

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- 'Riyadh Document' issued by 'the Arab Forum on Technical and Vocational Training and Labor Market Needs' (Riyadh, January 2010).
  - 'Riyadh Declaration' issued by 'the 2<sup>nd</sup> Arab Forum on Development and Employment' (Riyadh, February 2014), which has adopted the concept of 'Alliance for Development and Employment in Arab Countries, individually and collectively'.
  - 'Sharm El-Sheikh Declaration' issued by 'the Arab Economic and Social Councils' (Sharm El Sheikh, 2015).
  - 'Rabat Declaration' on the establishment of the Arab Association of Economic and Social Councils (Rabat 2015).

Pursuing all these sincere efforts, the Arab labor Organization held in the recent past (2015) numerous seminars on:

- Development media on labor issues in coordination with the council of Arab information and media ministers, with the participation of media leading figures,
- The status of Arab women in technical and vocational education and training,
- Arab labor standards,
- Labor inspection,
- Social negotiation, and

- 
- The Standard Arab Classification of Professions and its uses.

These activities have been culminated with closing statements for further monitoring of labor issues and duly suggesting approaches and recommendations to address them.

**Part 2**

**Prospects of the Arab Labor  
Organization**

**and its New Foci of interest**

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In parallel with working on macroeconomic, educational and vocational dimensions, the Arab Labor Organization seeks to broaden the scope of approach to solving employment and unemployment issues.

This approach is based on the following **methodological baselines**:

- The demographic analysis that is moving towards a new structure in Arab countries, and its reflection on labor power. The mobilization of all economic and social resources is required to face these demographic developments known as the **demographic transition**.
- A critical look at the approach to the labor market, as this approach is only confined to only supply and demand.
- New approaches to the labor market.

## **I. Demographic Transition:**

### **1. The concept of demographic transition:**

According to the experiences of developed countries, demographic transition goes through four phases:

**Phase One:** Birth and death rates are almost equal, keeping population growth close to zero.

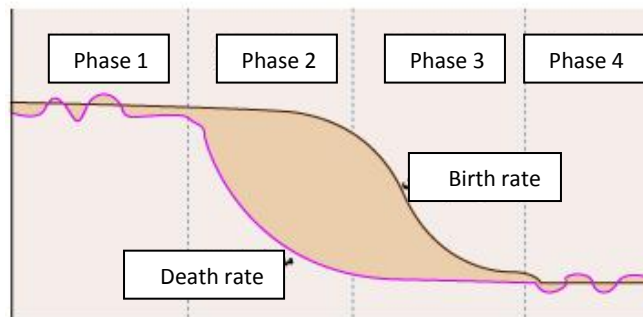
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**Phase Two:** Decreasing death rates (as a result of developing social and health policies and living conditions), while birth rate continues to remain high (what is known as the demographic explosion)

**Phase three:** Continuously and gradually falling death rates, along with a falling birth rate as a result of expanding education, marrying at an older age and an increase in living requirements; this phase is considered the beginning of the **demographic transition** from a classical population system to a new system encompassing:

- Decrease of the population in the age group less than 15,
- Increase of the population in the active-age group (15 - 64 years), and
- Moderate increase in the old-age group.

**Phase Four:** Entering post demographic transition phase. It is characterized by a falling active-age group and a notable increase in the old-age group, which calls for new social policies to care for the old aged. The following figure shows these four phases.



It is worth noting that Arab countries have, to varying extents, entered phase three of the demographic transition.

This demographic phase, which developed societies and some emerging countries have gone through, has sparked a wide theoretical discussion, which raised the following question: Is demographic transition a population gift (opportunity) to accelerate growth? Or is it a population bomb threatening development and social order?

The Chinese and Indian experiences indicate that demographic transition - within appropriated economic and social conditions - posed a driving factor for the growth and development of GDP elements and an increase in per capita share of GDP.

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## **2. Early signs of demographic transition in Arab countries:**

The demographic dimension of population factors during the last two decades continues to act as a pressure factor for the labor market and development efforts. However, there have been signs of relief in this respect in the past years, with gradual decline in population growth on the Arab level in general, though more in particularly countries than others. This indicates moving to the demographic transition phase, or what is known as the 'demographic gift', which needs to be exploited, particularly in countries that entered this phase early such as Lebanon (0.64%), Bahrain (0.76%), Somalia (0.99%), Tunisia (1.07%), Emirates (1.07%), Morocco (1.10%) and Syria (1.83%), and also the countries prepared to enter this phase, e.g., Algeria (2.04%) and Jordan (2.22%).

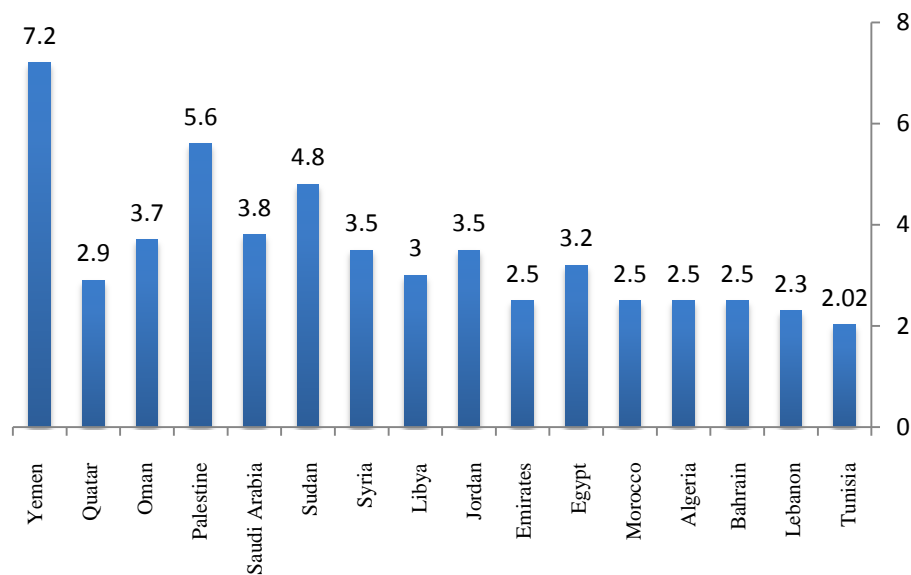
This demographic transition in the Arab Region - as in all countries that went through that phase - is characterized by the following population characteristics:

- A decline in total population growth, 2.3% in 2011. It is projected to fall to 2.04% in 2020 (ESCWA, 2005),
- The fall, as a result, in the below 15-years age group, which will reduce dependency rates and enable additional savings.

- The moderate increase in the 60-year and above age group.
- The increase of the age-pyramid 15-60 (64), i.e., the expansion of productive human capital.

These elements are shown in the following figure and table.

#### **Fertility index development in some Arab countries (2011)**



Source: OIT-2010

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### Population growth rates (2012-2013) (%)

| Countries            | Growth rates (2012-2013) (%) | Countries       | Growth rates (2012-2013) (%) |
|----------------------|------------------------------|-----------------|------------------------------|
| Total Arab countries | 2.33                         | Oman            | 6.40                         |
| Jordan               | 2.22                         | Palestine (2)   | -                            |
| Emirates             | 1.07                         | Qatar           | 2.20                         |
| Bahrain              | 0.76                         | Comoros Islands | 2.33                         |
| Tunisia:             | 1.07                         | Kuwait          | 3.71                         |
| Algeria              | 2.04                         | Lebanon         | 0.64                         |
| Djibouti             | 3.10                         | Libya           | 3.24                         |
| Saudi Arabic         | 2.73                         | Egypt           | 2.52                         |
| Sudan (1)            | 3.16                         | Morocco         | 1.10                         |
| Syria                | 1.83                         | Mauritania      | 2.43                         |
| Somalia              | 0.99                         | Yemen           | 2.92                         |
| Iraq                 | 2.61                         |                 |                              |

Source: Arab Fund (2014), Unified Arab Economic Report

These rates show that the Arab countries are gradually exiting a classical demographic system, which is characterized by high fertility rates, and are entering a new demographic system characterized by an increased economically active population group. The demographic opportunity, then, takes place when the growth of the working-age population group exceeds that of the dependent group (children and old aged).

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### **3. The impact of demographic transition on employment in Arab countries**

Based on the development of population factors in the direction of the expansion of the active age group, within the demographic transition phase, and based on the current levels of unemployment on the one side, and the projected development of the labor force volume and the increasing participation of women (they only form 23.2% of the labor force at present), on the other, it is projected that by 2020, combined Arab countries will provide:

- 35 million job opportunities to cut current unemployment rates by half, in accordance with the goals set by 'The Arab Decade for Employment (2010-2020)',
- 28 million job opportunities to accommodate new entrants to the labor market in 2020.

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**Estimating the volume of required employment by 2020 to cut the current unemployment rate by half and accommodate new entrants to the labor force**

|                 | Volume of current employment (in thousands) | Current labor force (in thousands) * | Number of those aged 15 and above by 2020 (in thousands) | Targeted participating rates in labor force by 2020 (%) | Targeted unemployment rates by 2020 (%) | Targeted employment in order to half unemployment rates by 2020 | Labor force projected for 2020 (in thousands) | Jobs required by 2020 to half unemployment rates (in thousands) | Jobs required by 2020 to accommodate new entrants to the labor force (in thousands) |
|-----------------|---|--------------------------------------|--|---|---|---|---|---|---|
| Algeria         | 10810                                       | 11984                                | 30894  | 44.7  | 4.9                                     | 13133   | 13809.4                                       | 2323  | 1825  |
| Bahrain         | 673   | 700                                  | 1181   | 69.0  | 1.9                                     | 799   | 814.8   | 126   | 115   |
| Comoros Islands | 182   | 233                                  | 516  | 57.6  | 11.0                                    | 265   | 297.3   | 82  | 64  |
| Djibouti        | 133   | 288                                  | 646  | 53.2  | 27.0                                    | 251   | 343.8   | 118   | 55  |
| Egypt           | 23070                                       | 26640                                | 63670  | 49.8  | 6.7                                     | 29583   | 31707.7                                       | 6513  | 5068  |
| Iraq            | 7166  | 7789                                 | 25496  | 42.8  | 5.5                                     | 10312   | 10912.3                                       | 3146  | 3123  |
| Jordan          | 1466  | 1678                                 | 5362   | 42.2  | 6.3                                     | 2120  | 2262.8  | 654   | 585   |
| Kuwait          | 1542  | 1585                                 | 3023   | 67.9  | 1.4                                     | 2025  | 2052.5  | 482   | 467   |
| Lebanon         | 1397  | 1552                                 | 3960   | 48.3  | 5.0                                     | 1817  | 1912.5  | 420   | 360   |
| Libya           | 1852  | 2300                                 | 4906   | 51.9  | 9.8                                     | 2298  | 2546.3  | 446   | 246   |
| Mauritania      | 831   | 1188                                 | 2819   | 54.5  | 15.0                                    | 1306  | 1536.2  | 474   | 349   |
| Morocco         | 10452                                       | 11549                                | 25909  | 51.5  | 4.8                                     | 12709   | 13342.9                                       | 2258  | 1784  |
| Palestine       | 863   | 1127                                 | 3237   | 43.0  | 11.7                                    | 1229  | 1392.0  | 366   | 265   |
| Oman            | 1102  | 1378                                 | 3477   | 68.8  | 10.0                                    | 2153  | 2392.1  | 1051  | 1014  |
| Qatar           | 1426  | 1431                                 | 2202   | 85.6  | 0.2                                     | 1882  | 1884.7  | 456   | 454   |
| Saudi Arabic    | 10382                                       | 10988                                | 24059  | 53.8  | 2.8                                     | 12582   | 12944.0                                       | 2200  | 1946  |
| Somalia         | 1931  | 2957                                 | 6945   | 56.5  | 17.4                                    | 3243  | 3924.2  | 1312  | 967   |
| Sudan           | 9580  | 11391                                | 27314  | 54.0  | 8.0                                     | 13577   | 14749.3                                       | 3997  | 1358  |
| Syria           | 3595  | 5531                                 | 17858  | 44.3  | 17.5                                    | 6527  | 7911.0  | 2932  | 2380  |
| Tunisia:        | 3323  | 3923                                 | 9083   | 47.3  | 7.7                                     | 3967  | 4296.1  | 644   | 373   |
| Emirates        | 5817  | 6072                                 | 8819   | 80.4  | 2.1                                     | 6942  | 7090.8  | 1125  | 1019  |
| Yemen           | 3980  | 6634                                 | 17979  | 50.8  | 20.0                                    | 7303  | 9133.5  | 3327  | 2500  |
| Total           | 101575                                      | 118929                               | 289354   |   |   | 136026  | 147256.1                                      | 34451   | 28327   |

Source: Arab Fund (2014), Unified Arab Economic Report



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In general, the Arab countries need to provide 63 million new job opportunities by the end of the present decade<sup>6</sup>. Facing such social challenges dictates higher growth rates, a more sophisticated employment rate, and new investment areas. This also calls for mobilization, regulation and outlining of all economic and social resources, including the areas of social and solidarity economy and the informal sector.

#### **4. Early signs of demographic transition in the Arab countries**

In the case of the Arab countries, the new population structure cannot be transformed from a social threat to a 'population gift', i.e., to a developmental return, unless we accelerate economic and social planning to establish suitable conditions for the control of unemployment, the creation of the biggest possible amount of job opportunities and the expansion of the scope of social integration in different new economic and social aspects. It should be noted that the demographic transition phase is not endless, but limited to a very small period which demographers estimate to last for 15-20 years.

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<sup>6</sup> Arab Monetary Fund (2013), the Arab Unified Economic Report

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The bottom line is that the developmental return of the population gift is neither guaranteed, nor automatic. It must be sought after and prepared for in order to expand the field of economic participation by planning for the population gift phase and adopting early developmental policies. Such policies include:

- Supporting policies to achieve demographic transition in order to realize the population gift through reproductive healthcare and family planning programs, investing in education and improving the economic status of women,
- Policies that help benefiting from the returns of the 'population gift' by expanding the labor market and increasing its flexibility, encouraging the opportunities of productive work, entrepreneurships, self-employment, development of education and training, and expanding options and economic participation,
- Social policies for the post population gift zenith, through setting mechanisms, programs and plans to improve social services and insurance, social security and sustainable development.

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## **II. A reminder of classically known approaches to the labor market = supply and demand**

Classical economic theories treat the traditional labor market (with some distinction) as a market like all other markets, controlled by the principle of supply and demand.

### **1. Supply of labor force:**

The 'supply of labor force' is defined as the system of educationally and vocationally preparing human resources in a way that would empower them with technical abilities and features that are 'marketable' in the labor market, and which will help them make the transition from the classroom to practical vocational life. Education and training are considered a forward dimension to ensure the best suitable conditions for matching human resources to labor market requirements and the needs for economic and social development in general. This role is considered to be one of the primary roles of the state, in coordination, cooperation and contractual partnership with various economic and social players.

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## **2. Demand on labor force:**

The 'demand on labor force' is defined as arising from economic and services sectors employing graduates of the education and training systems, who are willing to join the labor market.

This aspect forms the background dimension of investing the outcome of education and training, and their evaluation in production. It is important to stress that the optimal preparation of human resources, with its forefront dimension, remains of limited economic and social impact, unless accompanied in its background dimension by a strategic employment of skills and their continuous training in the production sector. The sustainability of work and institution competitiveness (at least in part) is not only connected to the sustainability of the quality of human resources in the forefront dimension, but also with its continuous refining in economic establishments. Current economic developments have changed the old labor world, as well as the familiar world of production. It goes without saying that these changes require the economic institution to increase investment in human wealth, in order to meet modern production conditions.

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### III. The role of the ALO in aligning supply and demand

The Arab Labor Organization instruments aim primarily to achieve the balance between supply and demand in the labor market. As previously stated, the references include those related to Arab Standard Classification of Professions, technical and vocational education and training, and labor market data.

Future tasks of the Arab Labor Organization include:

- More activation of adopted instruments and their promotion and marketing on national and Arab levels,
- Considering the possibility of committing the states that have ratified those references to implement and adopt them in dealing with the organization and in the field of Arab labor mobility between sending and receiving countries, and
- Working on accomplishing the Arab Skills Framework (CNQ).

To complete the ratified vocational references, a **unified Arab framework for skills** is needed so that it integrates with the standard Arab classification of professions, which springs from the early signs of realizing the national frameworks for skills. It is worth to note that several Arab countries have reached an advanced stage in this area, as demonstrated in the following table:

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## Progress in achieving country frameworks for skills on the level of Arab countries

| Country      | Designing phase     |                   | Embodiment phase        |                                    |                             |
|--------------|---------------------|-------------------|-------------------------|------------------------------------|-----------------------------|
|              | Primary preparation | Drafting the bill | Issuing legal framework | Determining implementing authority | Approving quality assurance |
| Algeria      | ●                   | ◐                 | X                       | X                                  | X                           |
| Bahrain      | ●                   | ●                 | ◐                       | ◐                                  | ◐                           |
| Djibouti     | ●                   | X                 | X                       | X                                  | X                           |
| Egypt        | ●                   | ●                 | ◐                       | ◐                                  | ◐                           |
| Iraq         | X                   | X                 | X                       | X                                  | X                           |
| Jordan       | ◐                   | ●                 | ◐                       | ●                                  | ●                           |
| Kuwait       | ●                   | ●                 | ●                       | ●                                  | ◐                           |
| Lebanon      | ●                   | ●                 | X                       | X                                  | X                           |
| Libya        | X                   | X                 | X                       | X                                  | X                           |
| Morocco      | ●                   | ●                 | X                       | X                                  | X                           |
| Oman         | ●                   | ●                 | X                       | X                                  | X                           |
| Palestine    | ◐                   | X                 | X                       | X                                  | X                           |
| Qatar        | ●                   | ●                 | X                       | X                                  | X                           |
| Saudi Arabia | ●                   | ◐                 | X                       | X                                  | X                           |
| Syria        | ●                   | X                 | X                       | X                                  | X                           |
| Tunisia:     | ●                   | ●                 | ●                       | ◐                                  | ◐                           |
| Emirates     | ●                   | ●                 | ●                       | ●                                  | ◐                           |
| Yemen        | ◐                   | X                 | X                       | X                                  | X                           |

● Prepared      ◐ Partially prepared      X No progress      -- Unavailable

Source: AECOSO, Education in the Arab World, 2012 Report of the Arab Education Observatory.

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## **IV. New Approaches to the Labor Market**

In all experiences, new approaches to the labor market are based on the background of high unemployment rates. In the Arab case, add to this dimension the demographic transition and the mobilization it requires for all economic resources and all unexploited market niches, which we summarize here according to two dimensions:

- The micro-economic dimension
- The micro-social dimension

### **A. The micro-economic dimension: Entrepreneurship economy**

#### **1. Entrepreneurship:**

Entrepreneurship refers to the establishment of small and medium sized projects. This is called external entrepreneurship, while noting the expansion of this concept over the past few years to include internal entrepreneurship, i.e., an initiative made along with paid work within an economic institution.

It is worth stressing here, to begin with, that the reasons of unemployment in the Arab countries include a symbolic dimension represented by a low entrepreneurial awareness in the economy and society, in spite of the widespread concept of

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entrepreneurship in political, economic, media and specialized dialogues. It is also worth mentioning that entrepreneurs in Arab countries, few as they may be, are forced towards entrepreneurial activities because they do not acquire a work opportunity. They also veer towards entrepreneurship while retaining their paid job out of lack of confidence in the success of their project.

One of the most important manifestations of this subject is the weak interest of Arab youth in self-employment, which makes the rate of entrepreneurship in the Arab societies very low due to poor entrepreneurial education to build technical skills and behavioral rehabilitation with soft skills and adventurous spirit. Springing from the fact that the entrepreneurial mentality is measured by the density of economic establishments in relation to active population, it is clear from international reports that the density of associations in the Arab region remains extremely limited in relation to other regions. The density does not exceed 8 associations per 1000 active individuals, compared to 19 in Latin America, 29 in Middle and Eastern Europe and 45 in OECD countries<sup>7</sup>. This hinders the activity of start-up industries and the expansion of the Arab economic canvas and its sufficient revitalization.

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<sup>7</sup> Eurostat, 2010



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The traditional economic system, in view of the rapid variables, particularly in its relation to employment and unemployment, is governed by the new structural transformation based on the entrepreneurial economy, which is founded on initiative and innovation, with self-employment elements, small and medium sized enterprises providing 50-80% of work opportunities, and 40-65% of the GDP in EU countries.

Primary conditions to stimulate individual entrepreneurs include:

- The personal characteristics of the entrepreneur,
- Refining skills and developing the culture of entrepreneurship through education and training systems,
- The availability of a suitable business atmosphere, and
- The availability of an institutional environment conducive to entrepreneurship.

Based on a background of unemployment in the Arab countries, in addition to the new challenge taking the form of the new population structure, and the importance of increasing the quality of technical and vocational education and training outputs to face it, on the one side, and drawing upon the most prominent indicators of the training system performance measurement in international literature, on the other. Add to this that the labor

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market, which is the final destination of skills, is formed of the two aspects of supply and demand and also **independent work** (a new dimension of the labor market). Therefore, there is a strong tendency to rely on entrepreneurship as one of the primary portals of controlling unemployment and ensuring a dynamic and vital economy has become certain.

The importance of this issue increases when we realize that entrepreneurship in the developed and developing regions of the world has become, on the level of this concept and approach:

- A socioeconomic phenomenon participating in reshaping the economy, society and the labor market,
- A renewed intellectual center of attention, with entrepreneurship becoming a subject for academic research,
- A new aspect of education on all levels.

In this general global context, springing from the expansion of the unemployment phenomenon and against the background of the demographic transition and the necessity to face it in the Arab region by opening new horizons for employment and development in general, taking into consideration that such a direction demands the cooperation of all efforts to promote and market the concept of

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entrepreneurship, the ALO can seek to create an Arab mechanism to support and entrench the concept of business entrepreneurship. This mechanism can be integrated with the Arab Union of Entrepreneurship.

## **2. The relation between new professions and the economy of knowledge**

### **2.1 Some conceptual elements**

A profession is defined as a group of proficiencies and skills enjoyed by an individual in order to perform a certain activity, in a certain professional position.

A new profession is defined as the result of core variations of an image, under the influence of three types of separations from what is common in the practice of known professions:

- A technological variations during the performance of work, by virtue of using new technologies,
- Variations in the means of regulating production and work in the association, and
- Variations on the level of distribution and the provision of new services.

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New professions, then, are a natural result of the accumulation of knowledge, achieved by humanity, which has been accelerated over the past two decades under the influence of expanding globalization and the new production, communication and information technologies that sharpen it.

## **2.2 New professions connected to strategic technologies:**

New businesses point to the multiple new technologies that will control the global economy over the coming decades (some define 120). They include:

- Food technologies, particularly those related to the production of high nutritious value food products of plant origin.
- Transport technologies, particularly those related to electrical vehicles, controlling power consumption, nonpolluting engines and control and automatic operation centers.
- Ocean technologies, particularly in the field of disposal of natural material, treating water, soil, air, smoke and domestic and industrial waste, measurement and detection of all features of pollution, and legal professions related to the environment.
- Genetic technologies and their different implementations in the field of human health, stockbreeding, bio-agriculture, etc.

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Many innovative engineering professions will emerge as a result of those new technologies.

Though the spread of these professions is limited at present, there are other new professions which have overwhelmed the economic and social activities, such as communicational and information technologies. They have become widespread in economic and social activities and in personal life.

Those technologies have become a principle factor in improving human performance in general, which enables developing countries to shorten long phases of developmental work.

The spread of these technologies goes back to the integration of three technologies: multimedia, information and audiovisual technologies. As a result, these technologies gave rise to many new professions that can be classified into four major categories:

- Visionary and deductive professions,
- Technical professions (modernization and development...),
- Production professions (site manager, heads of project, content producer...), and
- Commercial professions (advertisement, marketing, dealing with partners and customers).

These professions, which are directly connected to those innovative sectors and activities, generate new related professions

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such as information security, quality assurance, organization, research and development, and different technical, legal, financial and commercial advisory services.

### **2.3 Amended professions:**

New professions are not limited to the all-newly-introduced ones. They extend to the necessity of restructuring classical professions and expanding their vocational scope. New technologies have provided room for innovated institutions with high return and high added value. This innovative and creative trend which has come to represent the core of the new economy stipulates the development of current professions and activities (what can be called classical) by employing modern technologies with the intention of improving productivity and the product, and making it competitive.

In this respect, many studies, through the analysis of international commercial transactions, show that the trends of the international market provide possibilities for associations that are still fruitful, such as the chemical industry, paper industry, textile industry, mechanical and electrical industries, vehicle and aircraft spare parts manufacturing industry. Add to this, innovations and creativity in classical industries and heritage professions, which carry greater importance in developing tourism.

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## **B. The macro-social dimension:**

### **1. Social and solidarity economy: concept, dimensions and manifestations**

Under the influence of different and rapid developments, all societies witness new approaches by civil society institutions in many fields, including:

- The perpetuation of the social dimension of development,
- The expansion of economic participation,
- The preservation of the environment, and
- The adoption of new approaches for the employment issue (local employment initiatives, developing individual initiatives, local exchange system).

These approaches can be grouped under a general concept: **social and solidarity economy**.

#### **1.1 The concept of social and solidarity economy:**

This concept goes back to the 19th century. It was promoted by a number of social thinkers as a result of the prevailing socioeconomic conditions. The concept developed gradually to reach the following implications:

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- Finding mechanisms to treat unemployment, poverty, marginalization and all negative effects of the macroeconomic policies,
  - Setting a social security networks,
  - Seeking social coordination between all social strata,
  - Seeking the provision of the greatest amount of social happiness for society, and
  - Creating public banks and funds to facilitate the delivery of microloans.

### **1.2 The dimensions of social and solidarity economy (values system)**

The social and solidarity economy is based on a system of principles and values, the most important of which are:

- Human and social issue superiority over capital,
- Nonprofit work (or limited profitability under certain conditions),
- Volunteering participation in support of the values of voluntary work, solidarity and serving the group,
- Autonomy of decision-making and operation, and



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- Submitting to democratic control by members involved in social work institutions.

These principles and values have enabled the creation of a new economic space that can be called the hybrid space. It centers on:

- Commercial or market economy. That is to say, the distribution of products and services according to market mechanisms, i.e., for payment, and
- Noncommercial or non-market economy That is to say, distribution of services by the state (after levying taxes), i.e., free in most instances (or for a symbolic payment).

Therefore, it is a third sector managed by the local (civil) community to cover a wide range of activities and services.

### **1.3 Manifestations of social and solidarity economy**

- **Manifestations on the qualitative level:**
  - Tackling the negative aspects of the economic trends performance,
  - Treating overindulgence in individualism,

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- Building new relations between what is economic and what is social in a society with increasing risks, including the risks of unemployment, exclusion and marginalization,
  - Creating strong joints between the economy and society in the form of new solidarity dynamics,
  - Structuring a new consumerism for families by shifting to consuming local labor-dense services and products,
  - Mobilizing social capital and reproducing and expanding participation in production,
  - Developing local economies and societies, and
  - Instill new values and behaviors, including solidarity, volunteer work, social benefit, initiation, commitment and resisting dependence and negativism.

All these qualitative dimensions and manifestations aim to reestablish social ties.

- **Manifestations on the quantitative level:**

In 2010, social and solidarity economy in EU countries accounted for about 6.5% of the total employed, i.e., over 14 million job opportunities. It also accounted for about 10% of the GDP.

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In general, social and solidarity economy has become a new human and economic reality in Europe, particularly in Britain, Germany, France and Scandinavian countries.

The economic and social importance of the social and solidarity economy as a third sector, positioned between the public and private sectors, requires ALO to pay attention to that sector and conduct relevant scientific studies and detailed reports in Arab countries.

The Arab Labor Organization may see in this context the importance of creating an '**Arab network for social and solidarity economy**'.

## **2. The informal sector (economy) and its operation dynamics**

The informal sector represents an important contribution in the economy of developing and emerging countries, including the Arab economies, on several levels, particularly, the accommodation of surplus labor force, reducing the burden of unemployment and poverty and boosting per capita income, in addition to providing the economic needs of a large section of the population.

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The mobility of this sector goes back to its liberation from different constrictions that are considered as obstacles before starting and practicing an activity. In spite of this economic and social importance, a large part of this wide sector in the Arab region is unknown and beyond the scope of statistics, planning and regulation. Studies concerning this subject are still limited, however the available ones stress that the informal sector includes a wide variety of activities and participates largely in the economic and social movement.

Springing from this importance, this sector is in dire need of regulating research methodology in order to determine the reality of this phenomenon, in spite of the difficulties related to definition, description, statistical measuring tools and also its intertwinement with the formal sector, by paying attention to successful experiences in this field.

### **2.1 The concept of the informal sector:**

The informal sector can be defined by adopting three measures that are primarily based on comparing formal and informal sectors from a legal standpoint. These measures are: a) the legal form of the production unit, b) accounting register, and c) unit volume with respect to the number of workers and their social status.

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Based on these factors, the informal sector unit is defined on the basis of: a) lack of legal form, b) lack of account register, and c) non-registering of workers and reporting them to relevant authorities.

## **2.2 Informal labor:**

It is noted that Arab economies reveal multiple motives of workers in the informal market. They include:

- Compulsory involvement in the informal sector for the sake of earning an income to survive.
- Desire for independence at work and not submitting to complex and restricting administrative and procedural arrangements.
- The will to obtain a second income to secure increasing living requirements.
- Looking to obtain lucrative income, particularly in some parallel commercial fields.

Workers in the informal sector can be divided into three groups. The first group includes the owners of informal small projects. The second group includes the self-employed. The third group includes those employed by others.

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## **2.3 Background and indications**

The rise of the informal sector and its expansion in the Arab region goes back to a number of predisposing factors. The most important of which are:

- Economic factors in the form of inadequate economic growth, weak private investments, and limited expansion in the productive, qualifying, rewarding and sustained work. This has limited the development of annual employment rates and led to high and chronic structural unemployment, particularly among the young of age and inner areas.
- Active employment policies, which - in spite of their high costs - had a limited impact on actual integration. The final result shifted from activating programs aiming to treating frictional unemployment of new comers to the labor market, to social shift programs that are nearly structural.
- The negative effects on the social standard of the structural adaptation program adopted by some Arab countries during the 1980s and 90s. In spite of theoretically considering those liberating programs helpful to development, as confirmed by the literatures of the World Bank and the International Monetary Fund, those policies had a high social cost on grassroots. A manifestation of this is the

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appearance of many disruptions in the labor market, and the expansion of underemployment and vulnerable employment. These factors created large pockets of poverty and poor laborers, with no shelter for those other than the informal sector.

In general, it can be said that the informal sector phenomenon in Arab countries is connected with many variables such as unemployment, poverty, the humble indicators in the fields of human and social development, the freedom of initiative and governance of the economy. From this angle, it is considered a combined indicator of the defects in economic and social policies. In this sense, the informal sector is a number of amending mechanisms taking place automatically and out of need, working outside of the state and its laws.

#### **2.4 Fields of informal activities**

Informal activities in the Arab countries include a wide number of businesses that are conducted outside the frame of legal directives regulating economic activities and the prevailing professional relations. These activities are not homogenous when it comes to the nature of the activity and the situation of the workers. Some workers receive payment, some do not (family appointees), some are independent and some are business owners.

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Those activities can be grouped in four main categories:

- Productive activities, such as, agriculture, classical industries, carpet weaving and some industrial activities such as the production of clothes, stockings, underwear and so on, construction activities and the manufacture of some natural products, e.g., oils, herbs, etc.
- Some of these productive activities are more relatively regulated because they take the form of a small establishment. However, they are subject to legal regulations, though a large number of them work for regulated establishments through handling. Formal establishments resort to such means to reduce production cost and circumvent taxes and labor laws.
- Service activities, such as domestic services (cleaning, babysitting, house gardening, etc.) and services directed at individuals (home health and nursing care provision) minor repair and maintenance and agency services (real-estate agency), training at workshops, private lessons and transportation services (goods and individuals). This activity also includes financial services, considering the presence of an informal financial sector to fund the informal activities, in addition to foreign currency exchange services and dealing in foreign currency.



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- Parallel commercial activities such as street vendors (on the street or on individual means of transport) at the entrance and exit of land transport stations (buses, trains). These parallel commercial activities are also practiced at small shops and in markets. In addition to rare substances, parallel commerce includes a number of illegally imported goods, hence, sold cheap. They also include contrabands, such as stolen goods, alcoholic beverages, smuggled cigarettes and narcotics.

With the exception of legally prohibited activities, the rest of the unlicensed productive and commercial activities are generally undertaken in nearly full freedom in spite of harassment. Owners are not subject to auditing by tax and social security authorities and labor inspections, in spite of complaints from representatives of the formal sector who accuse the public authorities of leniency and turning a blind eye to this dishonorable competition.

## **2.5 The participation of the informal activities in development**

It is not easy to estimate the volume of the informal activities and their economic and social return in all countries due to lack of data pertaining to a certain economy or sector as a result of its unannounced nature. In spite of this, and stemming from the semi

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confirmed assumptions, different studies agree that informal activities play a compound role in the local economies of Arab countries. It is noted that:

- It offers broad fields for employment and self-employment.
- It provides an income, particularly during economic shrinkage and in the time of social crises.
- It provides trained workers needed by the labor market, particularly during economic boom.
- It participates in covering demand for some products for which large projects are difficult to be established due to small local markets.
- It participates in reducing living expenses for wide sections of society.

This comes in addition to the ability of production units listed in the informal sector to use local material and its fast dissemination in all areas and adapting to market changes.

Based on this quick description, we can see the economic and social importance of the informal sector, which calls for its regulation in order to raise its qualitative performance and avoid its drawbacks.

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**The issue here (and this is what is important) is not the necessity to regulate this sector** which has become a broad parallel economy, it is rather **how to regulate and increase the efficiency of its economic and social performance without disrupting its dynamism, which distinguishes it from all other sectors**, given that this dynamism arises from being Unregulated.

One of the most important regulatory portals for this sector is the flexibility in dealing with regulating the sector in order to maintain its motion, with the aim of advancing it to:

- Economic merger mechanisms, by providing job opportunities that are keen on labor rights,
- Social merger mechanism, such as educating the elderly and microloans for project funding, and
- Geographical merger mechanisms to support merged urban, local and rural development programs.

On the level of the Arab Labor Organization, this requires:

- Conducting comprehensive studies and detailed reports in which social partners and decision makers in Arab countries participate and duly review successful experiences in the field of regulating the informal sectors, similar to what took place in some Asian countries (details of which are beyond the scope of this report). These studies

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and researches can be presented in forums and seminars for the purpose of preparing an Arab strategy to regulate the sector and raise its economic and social performance. Gradually merging it with the formal sector in order to avoid bilateral centers and peripheries, and bilateral formal and informal sectors,

- Calling on countries to implement the Arab recommendation concerning the social protection of labor in the informal economic sector (Arab Labor Conference, 2014) which forms a portal to regulating the sector in the fields of training, vocational rehabilitation, social protection, union rights, protecting woman and child labor, and the gradual merging into the regulated sector, and
- Urging the employers and employees organizations to include the informal sector among their interest in order to find suitable solutions and mechanisms to facilitate its conversion to a formal sector and raise its economic and social performance.

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## *Conclusion*

At the end of this report, I would like to stress again that development issues, atop of which come issues of employment and unemployment, require more focus on the macro-economic approach as a core solution in terms of lifting levels of investment and growth, as well as promoting the management of labor market, and the quality of human resources. This serves improving the performance of Arab economies, especially in their relation to availing sustainable, decent and rewarding job opportunities and duly reduces unemployment.

Based on this, I opted out for the **5<sup>th</sup> Arab report on employment and unemployment** for 2016 the topic of '**promoting competitiveness to support employability**'. Furthermore, items of the Arab Labor Conference for 2016 comprise technical themes relevant to macro approaches, including an item for 'information exchange and its effect on organizing labor markets' , and an item on the 'role of solidarity and social economy (cooperatives) in increasing employment opportunities'.

In parallel with these macro-economic approaches, I believe that facing high unemployment rates and expansion of poverty on the one hand, and

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the proliferation of irregular activities that increase poverty in the name of non-standard work on the other, require a new approach to diagnose all market niches in the Arab economies, and duly mobilize, support and develop them.

This tendency of the Arab Labor Organization comes in the context of the appearance of early signs of a growing expansion of the economically active population due to their gradual involvement in the phenomenon of demographic transition in several Arab states.

To maximize benefits from this new population structure, and convert it from a threat to society to a 'demographic gift', it is inevitable to expand the circle of social and economic integration. In this sense, this report reviews the general aspects of this tendency based on the micro-economic and macro-social approach that focuses on:

- Entrepreneurship economy, as entrepreneurship has become a key engine that counters youth unemployment and offers a new approach to the labor market. In addition, it is the essence of the competitive entrepreneurship economy. However, it is inevitable to stress again that entrepreneurship activities in the Arab scenario still needs more studies, promotion and marketing to create an environment that integrates the basic entrepreneurship determinants that include:

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- The appropriate institutional and economic environment,
  - The presence of a pioneering entrepreneurship sector that is capable of transforming financial resources to productive investment, and
  - The cultural dimension that encourages entrepreneurship spirit and self-employment.
- New strategic professions relevant to the knowledge economy and information and telecommunication technology. This represents a wide spectrum of opportunities for knowledge labor who have university degrees. In addition, these professions promote knowledge assets of economic institutions. There are also the new social professions that are relevant to the development of quality needs and services for individuals and families, such as the handicapped and elderly care services, baby-sitting services, escorting children to schools services, and direct household services. This niche represents a wide spectrum for employment and can be dealt with by establishing micro enterprises to offer such services.
  - Social economy, which has become through its solidarity dynamics a new spectrum for employment that corrects imbalances in the public and private sectors. This sector is strongly associated with the concept of local jobs and the system of local exchange and development.

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- The informal sector and the need to regulate it, however it should be tackled with caution to maintain its dynamics on the level of social entrepreneurship, and its significant participation in generating job opportunities, and hence economic dynamism. In addition, several handicraft activities participate in maintaining the inherited 'popular knowledge' and therefore protecting them from extinction. In addition, the gradual organization of this sector is closely linked to improving indicators of decent work in terms of wages and social protection, as suggested by all successful experiences in this domain.

Continuous endeavors on the level of the macro-economic approach in terms of investment, growth, and small and medium-sized enterprises from one perspective, and human resources development approaches in terms of technical and vocational education and promoting skills from another, and social approaches in terms of social and health coverage, work standards, and labor mobility from a third perspective, would still force the Arab Labor Organization to search for new intervention mechanisms.

In this context, **the intensive ideas presented in this report on the micro-economic and macro-social dimensions and their relations to the necessity of investing all possible potentials to address the most significant development issues need more specialized**



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**academic and scientific studies, detailed reports, worksheets, and building data bases to determine precisely the reality and prospects of these areas, while linking them to the demographic transition phenomenon.**

**This is what the Arab labor Organization is looking forward to, and seeks to win the support for it.**