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**Economic and Social Commission for Western Asia (ESCWA)**

## **REPORT**

### **EXPERT GROUP MEETING ON INTEGRATION OF ECONOMIC AND EMPLOYMENT POLICIES IN THE ESCWA REGION BEIRUT, 31 OCTOBER 2011**

#### **Summary**

The Economic and Social Commission for Western Asia (ESCWA) conducted an Expert Group Meeting on the integration of economic and employment policies in the ESCWA region on 31 October 2011 at the United Nations House in Beirut, Lebanon.

A number of experts from ESCWA, academic and other institutions presented research on regional economic policy, green job creation, labour costs and related topics. Presentations on current economic and employment policies were made by representatives from Egypt, Jordan, Kuwait, Saudi Arabia, the Sudan and the Syrian Arab Republic. In addition, the draft of the fourth integrated social policy report was reviewed and discussed.

The meeting allowed for in-depth discussion of the economic aspects of an integrated labour-market policy and the opportunity for ESCWA member countries to share their experience of the impact of economic policies on labour markets.

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## Introduction

1. Countries in the Economic and Social Commission for Western Asia (ESCWA) region face the challenge of creating more and better employment in order to integrate growing populations into labour markets. Despite strikingly low labour-force participation rates, especially among women, countries in the region face some of the highest unemployment rates in the world. Educated women and youth are facing particular difficulties to find employment that meets their aspirations. Recent events and the ongoing Arab uprisings have highlighted the need for secure and decent jobs. Gulf Cooperation Council (GCC) countries have intensified their efforts to integrate their citizens into the labour markets.
2. The Social Policy Section (SPS) of the Social Development Division (SDD), ESCWA, has focused on labour-market policies to support member countries as they develop evidence-based employment policies. In close cooperation with focal points nominated by the member countries for this purpose, SPS collected the most recent employment data and information on labour-market policy. Draft working papers on employment statistics, labour-market regulation and active labour-market policy were discussed in an Expert Group Meeting (EGM) on the 22 March 2011 and a special workshop on informal employment on 23 March 2011. The meetings recommended that the scope of research be expanded and that an additional study on economic policy and its impact on employment be conducted.
3. Against this background, SDD/SPS organized an EGM on the Integration of Economic and Employment Policies in the ESCWA Region (Beirut, 31 October 2011). The meeting aimed to achieve the following objectives:
  - (a) Involve member countries in discussions around the economic aspects of an integrated labour-market policy;
  - (b) Encourage knowledge-sharing among ESCWA member countries on economic policies and their impact on labour markets;
  - (c) Develop recommendations to better link economic policies with labour-market policies.

### I. SUMMARY OF PRESENTATIONS AND DISCUSSION

4. The agenda for the EGM included four sessions that covered major topic areas of: (a) economic policies for the region; (b) economic policies and their impact on the labour market in GCC countries; (c) economic policies and their impact on the labour market in non-GCC countries; and (d) the draft fourth report on integrated social policy.

#### A. ECONOMIC POLICIES

##### 1. *The challenges of the existing development path in the ESCWA region*

5. Mr. Abdallah Al Dardari, Director of the Economic Development and Globalization Division (EDGD), ESCWA, conducted a presentation entitled “The Challenges of the Existing Development Path in the ESCWA Region”. He stressed that many of the employment challenges being faced today are a result of a missing link between economic policy and labour policy.
6. The labour market in the region suffers from deficient demand for labour. While the region has experienced economic growth, the growth did not create enough jobs to decrease the unemployment rate.
7. Furthermore, the little labour demand that does exist is usually in the informal sector and is characterized by low or unskilled work. The formal sector in the Arab world does not have enough added

value or productivity, and as a result, jobs were created in the informal sector. Since the informal sector does not offer social protection, employment in this sector carries many risks and is often precarious.

8. In addition to the challenge of insufficient demand for labour, a lack of flexibility also plagues the labour market in the region. The labour market is characterized by high transaction costs for an employee to find a job and for employers to find employees.

9. The reasons behind the lack of demand are rooted in the economic policies of the region. Interest rates as high as around 200 per cent of the inflation rate inhibited small and medium-sized enterprise (SME) growth and job creation. It is suggested that lower interest rates will encourage productivity. Tax policy in the region is designed in a way that discourages formal employment and does not offer sufficient benefits to the employer or the employee. Lastly, industrial policy strategies have focused on areas where there were quick gains to be made rather than on areas where labour opportunities were deficient. In recent years, the real estate sector experienced the highest rate of growth while the manufacturing sector experienced the lowest rate of growth even though the manufacturing sector has potential for job creation.

10. Monetary, tax and industrial policies were not designed to correspond to labour market policy. Typically, the ministry of labour is neither consulted nor given the opportunity to contribute to the design of economic policy. There is a need to shift to a new paradigm in which there is a better link between supply and demand and a better link between labour policy and economic policy. There should also be an emphasis on investing in and improving the quality of education. The primary objective of policies should be creating decent jobs, especially for young people.

## *2. Labour costs in different sectors in the ESCWA region*

11. Mr. Ibrahim Muhanna, Actuary and Managing Director, Muhanna Foundation, gave a presentation on “Labour Costs in Different Sectors in the ESCWA Region”. His presentation included an analysis of the salary structure and recent and time series data on labour costs for various industries for Bahrain, Egypt, Jordan, Kuwait, Lebanon, Oman and the United Arab Emirates.

12. A comparison of selected countries shows that the public administration sector is marked by high labour costs from about 50 per cent in the United Arab Emirates to nearly 80 per cent in Bahrain and Jordan. In other sectors, such as the manufacturing sector, the labour cost component is quite low and varies between 5 per cent and 16 per cent for the selected countries.

13. Issues with the data are twofold. First, in general, there is a lack of data in the public domain. Second, because data are often not shared, they cannot be used to support policymakers. Data need to be improved upon, namely, they need to be accurate, timely, systematic, regular and supported by reliable sources. There is also a need for independent and independently financed research to ensure data analysis is free from political bias.

## *3. The green economy and green sector solution to employment creation*

14. Mr. Riccardo Mesiano, First Economic Affairs Officer, SDD, ESCWA, gave a presentation entitled, “Green Jobs – An Alternative Solution for Employment Creation in the Arab Region?” in which he demonstrated that green jobs can be good for economic, environmental and social development because they provide additional income generation opportunities and reduce the environmental impact of some economic sectors.

15. Green jobs can be defined as those that: (a) reduce the environmental impact of enterprises and economic sectors; (b) provide real income generating opportunities; and (c) meet the criteria for decent work. Policies that are directed towards green economies are expected to strengthen regulations to combat

environmental degradation, adapt and mitigate climate change effects and manage waste, water and energy, which will lead to the production of environmental goods and services. As a result, additional jobs will be created as green sectors are labour intensive. There will be shifts in employment because some jobs will be eliminated, other jobs will be redefined and the needed skill sets will be adapted. Overall, the effects of green economies on employment are expected to be positive. Most countries that have applied green stimulus packages have succeeded in creating new employment. In the United States, for example, a US\$1 billion investment in green economy resulted in 30,000 new jobs. In China, a US\$100 billion investment resulted in 600,000 new jobs.

16. A green economy can create jobs in several ways: (a) directly (through the production, installation and maintenance of such energy efficient technologies as solar panels); (b) indirectly through the supply chain (through the production of materials for green technologies); and (c) as a result of increased consumer spending (through increased demand for green technologies).

17. An investment in skills and training is a necessary component in green job creation. Skill gaps exist and may result in some structural unemployment in the short term. However, in the medium term, improved quality and availability of training can fuel innovation, productivity, enterprise development and competitiveness. In addition, training can help ensure that jobs fit the criteria for decent employment. Training should be a shared responsibility between Governments, trade unions and the private sector.

18. A main criticism of green jobs relates to the perception that focusing on green economies can be costly. However, with innovation, research and development, green technologies can become cheaper and increase the productivity and competitiveness of companies. Increased productivity and competitiveness will, in turn, lead to an increase in the number of green jobs.

19. Egypt, which has made several commitments to green technology, is expected to witness significant job creation. A plan to expand the country's wind farms is expected to result in 75,000 new jobs by 2020. Lebanon has also made investments in green technology in the areas of construction, waste management, agriculture and forestry which are also expected to generate more green jobs.

20. Points raised by participants:

(a) Different types of unemployment were outlined and described. Demand deficient unemployment refers to an insufficient number of jobs for the labour force. Countries that have a large population but a limited and small economy are likely to suffer from demand deficient unemployment. Structural unemployment, on the other hand, refers to a mismatch in the supply and demand of jobs. If there are numerous jobs in urban areas but the majority of the labour force resides in rural areas, a country will suffer from structural unemployment. Lastly, frictional unemployment occurs when jobseekers are disconnected from job opportunities. There is always some degree of frictional unemployment and employment services often help mitigate this type of unemployment;

(b) In Egypt, a plan was recently created and funds were dedicated to support economic sectors that are more labour intensive to help reduce the unemployment rate;

(c) With respect to the unemployment rates in the region, participants discussed the issue of supply and demand in the labour market. Labour-market supply was not emphasized in the presentations although it is as important as demand;

(d) Youth unemployment is high in part because work experience is required for many jobs and young people in the Arab region are not encouraged to work during their studies. Similarly, female unemployment is high in the region. There is a link between the employment status of women and the distance between their homes and workplaces. In conservative societies, commuting distance is an important consideration for women seeking employment. To address this issue from an operational perspective, there is a need to integrate social and urban planning into employment policy;

(e) Policy coherence is essential and need to be strengthened at the national level. Integrating policies is a very complex process involving many different stakeholders and key players;

(f) Many countries have institutions characterized by weak performance that lack transparency and that lack the capacity to quickly undergo structural reforms and implement comprehensive economic plans. Geographical targeting programmes can help ease the challenges in the short term while long-term reforms are in progress;

(g) Some participants claimed that policy or strategic planning is undervalued. Others suggested that plans are valued but a gap exists between planning and implementation. For instance, very often those who make the plans have little influence over their implementation and monitoring. There is a need to ensure that the impact on employment is a central focus when implementing macroeconomic policy plans. Effective management and accountability are also needed to put plans into action;

(h) The main issue in the region is that insufficient or poor quality education and training have created a labour supply that does not have the skills demanded by the labour market. Improving the link between employment and education is important if ESCWA member countries are to be competitive in the age of globalization. Improving this link requires that policymakers understand the social factors that drive an individual's education and employment decisions. Thus, social change is needed. Evaluation, which is lacking in the region, can shed light on the factors that foster social change;

(i) With respect to green jobs, it is necessary to have a social dialogue to facilitate communication between trade unions, employees and the Government. Trade unions can potentially obstruct the transition to green jobs if they believe that such transition will result in a loss of jobs.

## B. LABOUR-MARKET POLICIES AND ECONOMIC POLICIES IN GCC COUNTRIES

21. Ms. Iman Abdel Maksoud ElShikh, Director of the Media, Documentation and Information Department, Arab Labour Organization, moderated the session. She restated some of the priorities of the Doha Declaration of 2008 and the Arab Decade for Employment (2010-2020). The Arab Decade for Employment established clear goals for the region, such as decreasing unemployment, halving the percentage of the working poor, enhancing production, promoting training and supporting SMEs. She highlighted the role and importance of other stakeholders, such as national and regional organizations, who can be influential in addressing current challenges. With good coordination, Governments and these organizations can maximize the results of their efforts. She then introduced the topic for the session, stating that GCC countries had given importance to economic policy in recent years as they encouraged economic growth through spending and continued reform efforts to create more job opportunities.

### 1. *Economic policies in Saudi Arabia*

22. Mr. Abdullah Mohammad Al-Hakbani, Deputy Minister for Planning and Development, Ministry of Labour in Saudi Arabia, presented an overview of the labour market, nationalization strategies and recent developments in regulations, education and training.

23. The labour-market challenges facing Saudi Arabia are particular to their large population of workers who are educated and unemployed. Those with a medium or high level of education compose about three-quarters of the unemployed.

24. Women are more likely than men to be unemployed. In 2009, the unemployment rate was 6.9 per cent among Saudi males and 28.4 per cent among Saudi females.

25. Youth unemployment stands at 43 per cent.

26. In Saudi Arabia, 27.1 per cent of the population are foreigners nationals. The vast majority of foreigners in Saudi Arabia are male which is important to consider when examining labour-market data. Between 2005 and 2010, the number of work visas issued for foreign workers for the private sector increased dramatically. Although the data demonstrate that the Saudi economy has generated more job opportunities, the data also point to continued and increasing reliance on foreign labour.

27. The construction and trade sectors employ the majority of Saudi labourers followed by the service, manufacturing, oil and gas and finance and insurance industries.

28. In 2009, the Saudi Council of Ministers adopted a new strategy to address labour-market challenges in the country. The strategy is to be implemented over a 25-year period in three stages. It centres around the vision to provide adequate employment opportunities with appropriate salaries which will lead to full utilization of Saudi human resources and give the Saudi economy a competitive advantage in the global economy.

29. The strategy includes the establishment of a national observatory for the labour market which will help ensure the collection of accurate and reliable data to inform future policies. Other aspects of the strategy include providing a jobseekers allowance, promoting job opportunities for women, protecting workers' rights and supporting SME development.

30. Nationalization is a focus for the Government, which has implemented several initiatives and policies in this area. One example is the Scopes programme, which aims to improve employment in the private sector so that nationalization is more competitive.

31. Regulations have recently been issued to protect the rights and wages of foreign labourers such as mandating that wage payment is completed through bank transfers to ensure payment.

32. Other initiatives focus on strengthening national resources and skill levels and expanding educational institutions. There has been significant investment in this area through the fund for human resources.

33. The new policies in Saudi Arabia reflect an initiative to address imbalances and distortions in the labour market, generate employment opportunities and improve work conditions which will enhance the country's integration into the global economy.

## *2. Overview of the economic policies of GCC countries and their impact on employment*

34. Mr. Steffen Hertog, Lecturer, London School of Economics, presented an overview of the economic policies of GCC countries and their impact on employment. He demonstrated that while growth, economic diversification, the general business environment and the regulatory environment were good, growth has been State-driven and labour productivity growth across the region has been modest to negative. He also argued that the current fiscal trajectory endangers long-run fiscal policy space for developmental spending.

35. GCC countries are characterized by solid gross domestic product (GDP) growth rates, increasing sectoral diversification since the 1970s, significant foreign direct investment (FDI) inflows in most countries, open markets, relatively good institutional environment (compared to the rest of the region) and private sectors that contributes more to capital formation than the public sector.

36. However, Governments remain the main driver of growth in GCC countries and private sector growth patterns follow shifts in Government expenditure. The State plays a large role in the economy, indirectly subsidizing household consumption through civil service wages.

37. State-driven growth combined with open migration is not conducive to creating attractive private sector jobs. Due to the availability of cheap labour, most jobs created in GCC countries are low-skill, low-productivity and are filled mostly by foreign workers.

38. Labour-market segmentation remains, particularly affecting the public and private sectors and national and non-national employees. Private sector jobs are characterized by low productivity, low pay and harsh working conditions. Nationals earn more than foreigners in the private sector and as a result of this wage segmentation, employers hire fewer nationals. Nationals prefer public sector jobs because they offer better wages and work conditions. There is a double labour price gap: nationals are concentrated in the public sector, earning more than foreigners and foreigners are concentrated in the private sector, earning significantly less than nationals.

39. Economic growth in GCC countries will have limited effects on national employment unless high-quality jobs are created and public employment policy is reformed so that the skills of nationals improve and reservation wages are lowered.

40. Furthermore, State-driven growth is not sustainable in the long run. State-driven growth will require increased spending to stimulate economic growth and provide more and more public sector employment to accommodate a growing population. Because State income is tied to the export of hydrocarbons, a finite resource, the ability of the State to finance long-term growth is limited.

41. Recommendations include revising fiscal policy and modernizing migration management systems. A revised fiscal policy would decrease distortionary distribution of rents to nationals, allow the streamlining of administration, result in an improved business environment and give strong incentives to nationals to seek private employment. There also needs to be a shift from low-skill, low-cost labour to more productive foreign labour either through quotas or fees (potentially combined with wage subsidies for national labour), leading to the creation of more high-skilled jobs in order to move GCC countries towards their declared “knowledge economy” objective.

### *3. Labour policies in Kuwait*

42. Ms. Samira Mandani Ali, Supervisor in the Coordination Division, Ministry of Social Affairs and Labour in Kuwait, gave an overview of recent labour policies in Kuwait which aim to improve work conditions, increase job opportunities, increase economic activities and maintain social protection in the private sector.

43. The main focus for the Ministry is the protection of the rights of new entrants to the workforce and nationalization. One new policy involves the creation of a separate employment office to support nationalization initiatives.

44. Mobility of employees is also an important aspect of new policies which are designed in a way to protect both the rights of the employee and the employer. For example, a worker is required to give three months’ notice before leaving work so as to give the employer adequate time to search for a replacement.

45. The new policy also aims to end early retirement in order to encourage the full use of the labour force.

46. Another initiative aims to create a system that allows for the verification of prospective employees’ qualifications and credentials.

47. Recent policies have facilitated and increased female participation in the labour market, specifically in the private sector. In the past three years, Kuwait was able to increase of the share of women employed in the private sector from 3 per cent to 9 per cent.



48. Kuwait has initiated a number of studies on the labour market in order to better understand key avenues for intervention.

49. Lastly, Kuwait has demonstrated a commitment to decent work as it has signed memorandums of understanding with 19 countries of origin for the expatriate population. Kuwait has also ensured the provision of accommodation and health insurance of the expatriate labour force as stipulated in the ministerial decrees implementing the labour law.

50. Points raised by participants:

(a) One perception of nationalization is that it is costly. In fact, it can be costly because the private sector will have to offer more competitive wages to attract nationals. Nevertheless, it is an important investment because it can lead to enhanced productivity;

(b) Average wages in Saudi Arabia have decreased in recent years because nationals have accepted jobs which they normally would not have wanted because public sector jobs were not available;

(c) When developing nationalization policies, two key inputs are needed: (i) data that reflect the current challenges of the labour market; and (ii) data concerning unemployment of recent graduates. These inputs will help policymakers better understand labour-market supply and demand;

(d) Complete nationalization of the workforce is not necessarily recommended. Some countries manage to incorporate nationals into productive jobs yet they still have migrant labour;

(e) Participants also discussed operationalizing nationalization strategies. It was suggested nationalization does not need to extend to all job levels and positions. Countries should first identify which positions should be nationalized and then implement nationalization strategies in a phased approach, beginning with highly skilled professions;

(f) Along similar lines, Saudi Arabia is currently conducting a study in which nationalization data (based on payroll data which captures the proportion of nationals employed within a company) will be analysed to determine which positions are being nationalized and to inform implementation strategies;

(g) Incorporating persons with special needs into the labour force is also part of the nationalization strategy in Saudi Arabia. For quota purposes, a person with special needs counts as much as four national persons when employed. This encourages the employment of those with special needs and allows persons with special needs to gain skills and experience;

(h) The Scopes programme in Saudi Arabia is a dynamic and flexible programme that reacts to the market to guide next steps. It should be noted, however, that it is too early to present results of the Scopes programme or other nationalization programmes;

(i) There are other strategies to incentivize highly-skilled labour. In Singapore, high taxes are levied against highly-skilled foreign workers. Considerable administrative requirements would make it difficult to implement that strategy in GCC countries in the short run, but they could apply a lump sum fee for employing foreign workers. The fee would have a proportionally greater effect on low-wage labour;

(j) Yet another approach to promoting high skilled labour is to introduce a wage subsidy for nationals similar to what Kuwait has done. In Kuwait, all national private sector employees are provided an income support benefit which is not offered to public sector employees. One concern with a wage subsidy is that it is susceptible to corruption. To circumvent this issue, a subsidy or “citizen’s income” programme can be applied to all citizens except for public sector employees. Such a programme is relatively affordable and demonstrates Government commitment to providing support to citizens even when public sector jobs are limited;

(k) It was also suggested that high unemployment in the region is not the result of a labour demand deficit. High unemployment reflects the fact that the jobs that are available do not meet the qualifications and expectations of nationals, especially youth. Migration management, therefore, is needed.

### C. LABOUR-MARKET POLICIES AND ECONOMIC POLICIES IN NON-GCC COUNTRIES

#### 1. *Overview of the economic policies of non-GCC countries and their impact on employment*

51. Mr. Nathan Hodson, Researcher, Princeton University, presented an overview of economic policies and their impact on employment in non-GCC countries in the ESCWA region. He described the economic structures and economic and investment policies of these countries.

52. The non-GCC countries in the ESCWA region have diverse sectoral compositions. GDP growth rates have been relatively good especially considering the global economic crisis.

53. The State remains a major player in economies in the region and can be characterized by distortionary spending and excessive public employment. While on average state expenditure as a percentage of GDP is similar to that of the Organisation for Economic Co-operation and Development (OECD) countries, it is high compared to middle income countries and countries in the East Asian and Latin American regions. State expenditure in most countries is dominated by high wage spending, subsidies and transfers. One consequence of such high spending on wages and subsidies is decreased availability of funds for development and investment. In these countries, high wage spending is often accompanied by restrictive labour regulations that can interfere with private sector development and job creation.

54. High public sector employment with relatively better wages and benefits has some undesirable consequences for the labour market, including: (a) reduced productivity in the labour market; (b) higher wage expectations and as a result, high reservation wages; (c) required educational credentials that may not have much value in the modern economy; and (d) high labour-market segmentation. In recent years, private sector employment has increased. However, in Iraq and Palestine, public sector employment grew faster than private sector employment.

55. Investments in the non-GCC countries in the ESCWA region are largely driven by the private sector and biased towards such low productivity investments as real estate, which have not created enough jobs to reduce unemployment. In addition, FDI for these countries is rather poor due to high logistic, labour and communication costs, bureaucracy and limited technological capacity.

56. SMEs play a large role in the labour markets of non-GCC countries in the ESCWA region and can be a good source for job creation. However, SMEs face barriers to access to credit because of stringent banking requirements for lending.

57. To address some of the limitations of the economic structures, States have implemented reform programmes that aim to reduce public spending, boost Government revenue collection, establish functioning foreign exchange markets and liberalize trade. Trade liberalization has underutilized potential for job creation in the region. It can encourage private investment, foster competition and promote technological development and increase the demand for high-skilled labour. While countries have experienced varying degrees of success with economic reforms, deeper reforms are needed to improve the business and regulatory climate.

## *2. Economic policies in Jordan and their impact on employment*

58. Mr. Mahmoud Al Sha'lan, Economic Policies Coordinator, Economic and Social Council, Jordan, described some of the labour market challenges in Jordan and identified areas for intervention in his presentation "Economic Policies in Jordan and their Impact on Employment".

59. Jordan has a low labour force participation rate (estimated at 59.5 per cent) coupled with high unemployment, particularly among the educated, female and youth populations. For example, female unemployment is double the rate of male unemployment. The low female labour-force participation rate is due in part to such social factors as marriage and family rearing obligations.

60. In Jordan, wages are a challenge for the current labour market. On average, wages are US\$566/month in the private sector and US\$458/month in the public sector. The minimum wage is set very low and is even less than the poverty line (US\$456/month). Wage differentials also exist along gender lines. In the public sector, males on average receive salaries which are US\$80 more than their female counterparts. The wage gap is even wider in the private sector with males receiving salaries which are on average US\$200 more than their female counterparts.

61. Furthermore, the relationship between economic growth and employment in Jordan is weak. While the country experienced economic growth in the past few years, the unemployment rate remained largely unaffected. Of the few jobs that were created, they were generally low-skill, low productivity jobs. There are also few strategies aimed to incorporate new entrants to the labour force. More than half of labourers work outside of Jordan which highlights the need to link educational outputs with the labour market.

62. Other populations are also excluded from the labour force in Jordan. Although there is a law which stipulates that persons with special needs should be incorporated in the labour market, only 1 per cent of people with special needs are employed in the public sector.

63. In addition, while there have been improvements in labour legislation, gaps in legislation remain which lead to violations of employees' rights. Legislation and policies to improve work conditions are a top priority in Jordan.

64. Recently, a national strategy for employment has been put in place with the objectives of decreasing unemployment and improving the skills needed in the labour market. A national dialogue committee has also been set up to anticipate future labour-market and economic policy challenges.

## *3. Economic policies in Egypt*

65. Ms. Eman Abdel Dayem, Under-Secretary for Vocational Training, Ministry of Manpower and Immigration, gave an overview of Egypt's economic objectives and presented some recent labour-market statistics and economic indicators.

66. In Egypt, economic reform occurred at a faster rate than social reform. As such, the labour market faces several challenges. The country suffers from high unemployment with females having three times the unemployment rate of males. Overcoming the barriers that prevent women from entering the workforce should be a priority. In addition, 40 per cent of the workforce is employed in the informal sector which provides little or no social protection. Thus, achieving low levels of unemployment, low levels of inflation and a reduction in inequality are among Egypt's top priorities.

67. Indicators have demonstrated that economic growth in Egypt is not distributed equally or fairly.

68. The previous Government did make efforts to contain inflation and mitigate the effects of the economic crisis. While the Government made efforts to increase wages, the increase was insufficient to keep up with rising inflation.

69. Some economic and labour-market indicators have been collected recently to monitor pre and post-revolution changes. Between August 2010 and August 2011, unemployment has stayed relatively the same while inflation decreased from 10.9 per cent to 8.5 per cent, and remittances increased from US\$438.4 million to US\$472.9 million.

70. To address the unemployment challenge, Egypt is investing in its human resources and the creation of more productive job opportunities. It is expected that with improved qualifications, better wages and more productive job opportunities, labour-force participation and employment rates will increase.

#### 4. *Economic policies in the Syrian Arab Republic*

71. Mr. Nader Kabbani, Director of Research, Syria Trust for Development, gave a presentation in which he focused on the link between the Syrian economy and the labour market. While the Syrian Arab Republic experienced positive economic growth over the past decade and achieved the greatest reduction in unemployment in the Arab world, the economic situation and reforms had some weaknesses.

72. First, improvements in poverty indicators were primarily seen in urban areas. In rural areas, improvement was hindered by the drought which impacted the agriculture sector. As a result, the poverty gap between urban and rural areas widened.

73. Second, lower unemployment reflected a drop in labour-force participation. Due to enhanced efforts to link education with the needs of the labour market, unemployed individuals were absorbed by various educational institutions. This relieved the labour market in the short term. Others simply left the workforce. There was a significant decrease in the number of females working in the agriculture sector, for example. Others workers entered retirement early in part due to legislation which encouraged individuals to do so.

74. Third, a wide gender gap remained. The unemployment rate for women is double that of men and there are still barriers to labour market for women.

75. While there has been significant improvement and in the last 10 years, a gap was noted between what the public expected to achieve and the actual results. High expectations resulted in public disappointment.

76. Other areas for improvement and intervention include education, private sector employment and segmentation of the public and private sectors. The number of opportunities for education has increased yet the quality still needs improvement. In addition, the harmonization between the skills being developed and those in demand in the labour market needs improvement. The private sector in the Syrian Arab Republic, like many other Arab countries, is not a true private sector in the sense that it is composed mainly of family-owned businesses. As a result, employment is based on relationships and connections and not necessarily merit, skills or education. To combat this, policies and procedures should be put in place to institutionalize employment rather than simply focusing on shifting the labour force from informal to formal employment. High labour-market segmentation exists between the public and private sectors as wages and benefits are more attractive in the public sector. In fact, a survey conducted during a time of crisis in July 2011, demonstrated that 70 per cent of those interviewed preferred to work in the public sector. Lastly, social factors also contribute to the high unemployment rate. For example, youth are often financially supported by family members, creating a circumstance which does not encourage youth to find employment.

77. A key recommendation is stronger, bolder policies that are based on addressing the roots of the labour market challenges.

## 5. *Economic policies and their impact on labour markets in the Sudan*

78. Ms. Widdad Khalil, Deputy Director, Centre for Social Development, the Sudan, gave an overview of the link between economic growth and employment growth. Economic policies in the agriculture, mining and energy sectors resulted in economic growth. However, economic growth and liberalization did not result in job creation. In fact, many Sudanese are facing high levels of poverty because wages are very low, as evidenced by recent census data. In addition, youth are often underemployed. The informal sector, which is quite large and dominated by females, is of concern as it has a negative impact on average wages. The Sudan has undertaken a number of initiatives to provide assistance to the poor through health and income generating projects and through increased access to financial services. The Government is also trying to expand social security to the informal sector. Other initiatives focus on improving the banking sector and access to loans for the poor. Yet more efforts have focused on improving the link between education and training and the requirements of the private sector and improving work conditions, especially for youth and women in rural areas.

## 6. *Model for a study of current macroeconomic conditions in the Arab world*

79. Ms. Nathalie Grand, First Economic Affairs Officer, and Mr. Dony El Costa, Economic Affairs Officer, EDGD, ESCWA, introduced two types of macroeconomic modelling tools to forecast scenarios and examine relationships between variables. The first tool, which is currently being developed by EDGD, allows researchers and policymakers to better understand the relationships and trade-offs that need to be considered when economic policies are made in a specific country. For example, the model can show the influence of productivity on job creation in Jordan. A second model is being designed to analyse intraregional economic flows of 22 countries. The model can simulate the impact of intraregional trade and redirection of oil resources.

80. Points raised by participants:

(a) The claim that there is a high level of employment in the public sector is questionable. The public sector share of GDP is not very large;

(b) There is a lot of inequality in public sector wages. Average public wages would be very low if the top salaries were excluded from the analysis;

(c) Wage data are not always readily available but of the data available, wage disparities are roughly the same within the public and private sectors;

(d) There is interest in the macroeconomic model to determine the effects of possible oil price changes in Jordan;

(e) The model is still under development. It may be enhanced to examine relationships and trade-offs in the region as a whole and not only in individual countries.

## D. DISCUSSION ON THE DRAFT OF THE FOURTH INTEGRATED SOCIAL POLICY REPORT

81. Ms. Gisela Nauk, Chief of SPS, SDD, ESCWA, introduced the report and its structure. The report is built on four working papers concerning labour market statistics, labour market regulation, active labour market policy and the link between economic policy and employment generation. The report explores the significant segmentation of the labour market and the policies employed by ESCWA member countries to bridge the gap and to facilitate the movement of workers across the different segments. The importance of more flexible regulation and the active cooperation of social partners is highlighted in the report along with the need to better integrate economic, investment and employment policies.

82. Points raised by participants:

(a) While the presentation of disaggregated national data is very valuable, it is also suggested to include more regional aggregation and to compare these with the status of other world regions;

(b) The nexus between labour-market governance and employment appears to be overemphasized in the report and it is recommended to revisit the conclusions;

(c) More reference to social aspects of employment, such as an explanation of why women are not being employed would add value to the report;

(d) The report has strong economic analysis and foundation. The executive summary can be strengthened by better capturing the audience with a strong message in a few lines;

(e) The report has a unique perspective which is somewhere between that of the World Bank and the International Labour Organization. This report is the beginning of an ESCWA perspective and there is a market niche for such a document;

(f) There is an expectation that the report will provide specific recommendations to the member countries so that they can create job opportunities. Furthermore, there is an expectation that the report will present the fact that job opportunities exist in the region but many people do not accept these jobs.

## **II. ORGANIZATION OF THE MEETING**

### **A. VENUE AND DATE**

83. The Expert Group Meeting on the Integration of Economic and Employment Policies in the ESCWA Region was held at the United Nations House in Beirut on 31 October 2011.

### **B. PARTICIPANTS**

84. The meeting facilitated collaboration on labour market data and policies and was attended by nominated ESCWA member country focal points. Several of the participants also attended the EGM on labour markets and labour market policies in March 2011. In addition, regional experts and representatives working in the field of labour, economics and policy for various national, international and regional organizations and a number of experts from ESCWA participated in the meeting. Of the fourteen ESCWA member countries, twelve countries were represented.

### **C. OPENING**

85. Mr. Frederico Neto, Director, SDD, ESCWA, outlined the three objectives of the meeting: (a) involve member countries in discussions around the topic of economic and labour-market policies; (b) encourage knowledge sharing between member countries; and (c) develop recommendations on linking economic policies with labour-market policies. He presented the various dimensions of the link between economic and labour policies that will be covered in the presentations.

86. In his opening statement, Mr. Nadim Khoury, Deputy Executive Secretary, ESCWA, presented the context for the meeting and its relevance given the current labour-market situation in the region. The region is characterized by the highest levels of unemployment in the world, particularly among youth. In addition, the female labour-force participation rate remains low and is compounded by the high rate of female unemployment. These limitations in the labour market can be addressed by creating job opportunities so that more individuals can benefit from employment.

87. In his opening statement, Mr. Abdullah Mohammad Al-Hakbani, Deputy Minister for Planning and Development, Ministry of Labour, Saudi Arabia, declared the occasion of the meeting to be important and opportune because ESCWA member countries are trying to absorb an increasing labour force into the labour market. He expressed that ensuring productive and decent work for the population is the concern of every Government and was pleased to see that the meeting had brought together experts from the field to discuss the important topic.

88. Lastly, Ms. Gisela Nauk, Chief of SPS, SDD, ESCWA, welcomed participants and thanked them for contributions to working papers and for data which they provided for analysis. She highlighted two observations related to the theme of the EGM. First, economic and employment policies in the region appear to have been conducted separately. Second, while there has been a focus on economic growth, the importance of creating high-quality employment has not yet been integrated into policies. She then introduced the topics for the sessions of the meeting which included discussion of national experiences, integration of economic and labour policy and the draft of the fourth report on integrated social policy.

Annex\*

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