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

## **REPORT**

### **OF THE REGIONAL WORKSHOP ON LABOUR MARKET POLICY: INFORMALITY IN THE ESCWA REGION BEIRUT, 23 MARCH 2011**

#### **Summary**

The Economic and Social Commission for Western Asia (ESCWA) conducted a regional workshop on labour market policy with a specific focus on informality and skills development, on 23 March 2011 at the United Nations House in Beirut, Lebanon.

The workshop followed an expert group meeting held on 22 March 2011, on labour market data and policy and provided a forum for participants to discuss the concept of informality and related issues, give an overview of measurement approaches, discuss policy approaches and present an example of a skills-development programme for more educated informal sector workers.

This report reviews the most important issues raised in discussions and recommendations developed by participants to address ongoing challenges in labour market data and policy in the ESCWA region in the following areas: improvement of data and information on labour markets; governance of labour market policy; integration approaches to policies and programmes; and matching education and training to labour market needs.

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## **Introduction**

1. The Social Policy Section (SPS) of the Social Development Division (SDD) of the Economic and Social Commission for Western Asia (ESCWA) conducted a regional workshop on labour market policy with a specific focus on informality and skills development, on 23 March 2011 at the United Nations House in Beirut, Lebanon.
2. The workshop followed an expert group meeting (EGM) held on 22 March 2011, where the challenges ESCWA member countries face, with regards to labour market data and policy from a social development perspective, were discussed. A large segment of those in the labour force in the ESCWA region work in the informal sector and are also among the most vulnerable members of society, necessitating a discussion of the issues surrounding informality measurement, policies and interventions in more detail.
3. Little information is captured on the informal sector, making it difficult to develop policies that address informality. The lack of data highlights the need to discuss the challenges of measuring the informal sector and policy approaches for addressing it. Thus, the workshop provided a forum for the following: (a) to discuss the concept of informality and related issues; (b) to give an overview of measurement approaches; and (c) to discuss policy approaches and present an example of a skills-development programme for more educated informal sector workers.

## **I. RECOMMENDATIONS**

4. Present among the participants were focal points nominated by member countries for collaboration with ESCWA on labour market data and policies. Following both the EGM and workshop, recommendations were developed to address ongoing challenges in labour market data and policy in the ESCWA region. The recommendations can be categorized into four topic areas related to the following: (a) improvement of data and information on labour markets; (b) governance of labour market policy; (c) integration approaches to policies and programmes; and (d) matching education and training to labour market needs.
5. Regular, reliable, comparable and comprehensive data are needed in order to inform policymakers of labour market challenges and to develop appropriate interventions. The need for such data is especially important for the informal sector, typically comprised of the poorest and most vulnerable members of society and those most in need of social protection. Further, data are scarce, as information on the informal sector is not captured through routine surveys or administrative data. As much as possible, data should be disaggregated by gender, educational level, geographic distribution, sector and occupation to highlight its enriching nuances and identify any disproportionately affected groups. Further, data should be made readily accessible and disseminated to key stakeholders.
6. Capacity-building of the ministries of labour for improved management and organization will facilitate the monitoring of the implementation and enforcement of labour laws and policies. While the informal sector is not protected by labour laws, individuals working in this sector should be covered by legislation and targeted by policies and initiatives.
7. Because labour is a social issue that is influenced by many sector policies, it is recommended that ministries and national centres, such as those of labour, social affairs, education, immigration, economy and statistical offices coordinate and collaborate with each other. Trade unions should also assume greater responsibility for informal sector workers. In addition, partnerships with the private sector should also be leveraged to ensure improved coordination for informal workers. In that vein, greater monitoring and evaluation of labour policy and programmes is recommended to measure and improve their impact.
8. Lastly, there is an increased need to coordinate and align education and training systems with labour market demands. Curricula must be diversified and adapted to the specific needs and context of a country. Skills building and matching is one approach that can support the informal sector, thereby reducing vulnerability of the individual and encouraging economic growth.

## II. SUMMARY OF PRESENTATIONS AND DISCUSSION

### A. THE INFORMAL SECTOR: CONCEPTS, ISSUES, MEASUREMENT PROBLEMS AND APPROACHES

9. Ms. Gisela Nauk, Chief of the Social Policy Section in the Social Development Division at ESCWA, began the workshop by presenting concepts and issues about the informal sector. Development, in general, can be measured by the level of gross domestic product (GDP), income, or the level of social protection a country provides for its citizens. In each of these indicators, informality poses a concern. The informal sector is not very productive, provides low income and is not included in social protection systems. Thus, informality poses challenges from both an economic and social perspective. From an economic lens, low productivity and the corresponding low level of income generated in the informal sector do not allow for investment and result in minimal, if any, tax revenues for the state. From a social protection lens, informality is synonymous with vulnerable employment and a poverty trap. The size of the informal sector can reflect economic growth; often characterized as a shock absorber, when the economy suffers and individuals lose their jobs, many seek work in the informal sector. Before addressing informality, more information is needed on the size of the sector. Because data on the informal sector is often not captured in census surveys, labour force surveys or administrative data, estimates are dependent on the definitions used. By some estimates, worldwide, 60 per cent of those in the workforce are considered to be in the informal sector.<sup>1</sup> Taking the number of own-account workers and contributing family workers in total employment as a proxy indicator, informal workers in Western Asia represent roughly 30 per cent of the working population (which is similar to informality rates in Latin America).<sup>2</sup> Some argue that when calculating estimates of informal employment, those in the agriculture sector should be excluded, as large shares of agricultural activity are not formally registered. When using this approach to estimating informality, data shows that from 2000 to 2007, informal employment represented 50 per cent of all non-agriculture employment in Lebanon and Yemen, roughly 45 per cent in Egypt and Palestine and 30 per cent in the Syrian Arab Republic.<sup>3</sup> Yet, another approach to measuring informality is to measure the “shadow economy” which can be defined as the goods and services produced and exchanged on the market that escape detection in the official estimates of GDP. This is to say that approaches to measuring and defining informality are debated among specialists.

10. Mr. Giovanni Savio, Chief of the Economic Statistics Section, from the Statistics Division at ESCWA, presented the challenges of measuring informality and offered measurement approaches. He emphasized that the purpose of rigorous data collection is to facilitate data analysis that will inform policymaking. In that regard, he stressed the importance of collecting and disseminating data on the informal sector as well as strengthening the capacity of stakeholders to collect, analyse and disseminate data using international standards and methods. Typically, data collected on informality cannot be reliable as the information is not exhaustive. Further, the limited data available is not comparable between countries, nor does it allow for trend analysis within a country. To encourage the comparability of data, in 1993, the Fifteenth International Conference of Labour Statisticians (ICLS) agreed upon characteristics of informality and a definition for informal sector work. In order to generate more reliable data on informality, Mr. Savio advocated the use of a two-phased, or “1-2 survey”. In the first phase, data are collected through a household survey which then informs the sampling frame for the second phase. The second phase involves a household enterprise survey. The advantage of this methodology is that it provides data on informal employment for all areas and sectors, based on a unified strategy.

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<sup>1</sup> Organisation for Economic Co-operation and Development (OECD), Development Centre *Is Informal Normal? Messages, Figures and Data* available at: [http://www.oecd.org/document/58/0,3746,en\\_2649\\_33935\\_42519546\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/58/0,3746,en_2649_33935_42519546_1_1_1_1,00.html).

<sup>2</sup> International Labour Organization and World Trade Organization, *Globalization and Informal Jobs in Developing Countries* (Switzerland: WTO Secretariat, 2009), p. 26.

<sup>3</sup> OECD, Development Centre *Is Informal Normal? Towards More and Better Jobs in Developing Countries* (Paris: OECD, 2009), pp. 34-35.

## Points raised by participants

(a) Informality, understudied in the region, can be approached from multiple angles. The data on informality can be used to inform a wide variety of interventions with different goals. Interventions can be aimed at increasing GDP or collecting taxes for the state. On the other hand, interventions can be designed with the aim of increasing social protection. Thus, the approach for the measurement of informality depends upon the intended use of the data;

(b) The ESCWA region lacks a common, universally accepted, and unified methodology to measure the informal sector. Further, there is no standard definition for what constitutes informal sector work. A definition and constructs of informality that apply to the Arab region must be developed and agreed upon;

(c) Separate surveys are needed to capture informality since business registers in the region and lists of all activities that may be informal do not exist. Attaching questions on employment to the census can undermine its purpose, as it is meant to solely provide population counts;

(d) In Jordan, the Ministry of Planning and International Cooperation is licensing 30 home-based jobs and occupations to help these employees market their services and products. This process of licensing can help in the counting of informal workers;

(e) While there are gaps in the data, some countries are making efforts to capture figures on informal employment. For example, in Egypt, the Ministry of Manpower and Immigration is conducting a survey in 12 Governorates which the census indicated had the highest levels of informal employment. In these Governorates, women and children dominate the informal sector. As a response, the United Nations Development Fund for Women (UNIFEM), in partnership with the American University in Cairo (AUC) is working with the Ministry on the empowerment of women in these Governorates;

(f) Additionally, in Egypt, the biggest challenge for data collection on the informal sectors is the allocation of sufficient resources for surveys to be conducted at the national level;

(g) With respect to conducting surveys, it is critical to build trust with survey participants in order to gain their participation and capture honest responses. Participants should be well informed that the aim of such surveys is to help those in the informal sector and not to monitor any wrongdoing or identify cases of tax evasion;

(h) Data on individuals in the informal sector needs to be disaggregated by education status, gender and age among other categories. A participant from the Syrian Ministry of Labour estimated that some 32 per cent of all employment in the Syrian Arab Republic in 2008-2009 was in the informal sector. He further estimated that 50 per cent of this was represented by youth (15-29 years), of whom some 77 per cent were illiterate. Children and women constitute a large proportion of the informal sector, necessitating additional efforts for the implementation and enforcement of child labour laws;

(i) The informal sector includes the poorest and most vulnerable individuals in society, requiring such initiatives for their support as the adoption of “on-the-job training” and microcredit models to assist them in “formalizing their businesses”.

## B. THE INFORMAL SECTOR: POLICY APPROACHES AND SKILLS MATCHING

11. Ms. Gisela Nauk then presented policy approaches to address some of the negative consequences of informality. Approaches include: relaxing the segmentation of labour markets, improving in-country mobility, facilitating job creation and higher productivity, improving regulation and developing skills.

12. Separate policies and interventions should be targeted to the appropriate segment (upper or lower tier) of the informal sector as each segment has varying characteristics and opportunities for moving into the formal sector. The upper tier of informal workers can be described as those who are working in a formal business without a formal contract and those who are self-employed with well-developed businesses. The lower tier includes those who are microentrepreneurs, assisting family members and day labourers.

13. Since those in the lower tier informal sector are often the most vulnerable individuals in society, an integrated approach between several ministries, such as the Ministry of Labour, Social Affairs, Economy, Infrastructure and Finance is needed. Support can be through active labour market policies (ALMPs) for microenterprises, for example. Other types of policy are those that focus on improving social protection, such as helping workers better manage risk, social assistance and/or conditional cash transfers.

14. For informal workers in the upper tier, the current consensus is that policies to support them should be directed mainly at increasing the number of formal jobs and lowering the cost of informality. A well-functioning labour market is the most important instrument to improve opportunities for formal and informal sector workers and to support economic and social development. Furthermore, partnership with private and civil sectors is essential. A tripartite dialogue, between the public and private sectors and civil society allows for improved governance, regular evaluation and adjustment of labour laws and regulation. Such dialogue and close partnership are especially important to address informality and remove one of the biggest obstacles to labour market inefficiency in the region: the mismatch between the supply and demand of skills.

15. Ms. Sonia Fontaine, Programme Director at Gesellschaft für Internationale Zusammenarbeit (GIZ) in Lebanon, presented a dual vocational training programme aimed at supporting a better match between supply and demand of skills. The programme, in Lebanon since 1996, involves a curriculum that is based on labour market needs and is updated according to them in collaboration with the private sector. The programme currently focuses on seven trades and graduates of the programme receive a certificate recognized by the industry. Though the programme has not systematically traced its graduates, informal assessments demonstrated that close to 70 per cent of graduates found jobs in their profession or related businesses. Of the remaining 30 per cent, some pursued further education. Ms. Fontaine hopes for a more rigorous evaluation in the future, as impact assessment monitoring is becoming more of a priority. She foresees opportunities for greater involvement of the chambers of commerce and industry in the development of training and vocational education programmes. This cooperation is also vital for an essential cultural shift in attitude towards giving greater value to manual labour and handicraft.

### **Points raised by participants**

(a) Each country has unique population characteristics that might make a programme, such as the GIZ sponsored Technical and Vocational Education and Training (TVET) programme, not transferrable or applicable to some countries. For example, in Egypt, many of those in the informal sector are illiterate, so curricula based on written materials would only be useful for some of the targeted population;

(b) A multipronged, dynamic and coordinated approach is advocated to tackle the problem of informality. Those in the informal sector need to be able to move between sectors. This is especially true in the case of Egypt, where many workers in the tourism industry have been affected by the recent revolution and need to adapt to the changing environment;

(c) In Jordan, the TVET programme has the employment component added to it, making it an employment-technical and vocational education and training (E-TVET) programme. Under this programme, the private sector was consulted as to what types of skills were needed and participants would train in more than one type of work, thereby increasing their possibilities of employment;

(d) Several countries have experiences of successfully involving the private sector in training initiatives. In the Syrian Arab Republic, employers in the private sector are eligible to receive loans to fund

and provide trainings. In Saudi Arabia, a partnership with the private sector led to 35 agreements with large companies. The public sector was able to create a human development fund which supports trainings, regardless of the number of trainees. In Kuwait, there are laws and decrees to encourage the private sector to be involved in training programmes;

(e) Civil society should consider the public sector as a partner, not a competitor in training projects; as such, collaborations will enhance the impact and sustainability of trainings.

### **III. ORGANIZATION OF THE WORKSHOP**

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

16. The regional workshop on labour market policy was conducted at the United Nations House in Beirut, Lebanon on 23 March 2011. The workshop directly followed the EGM on labour market data and labour market policy in the ESCWA region, which was conducted on 22 March 2011.

#### **B. PARTICIPANTS**

17. In addition to experts from ESCWA, the meeting was attended by a number of regional experts and representatives working in various national centres, ministries, international and regional organizations in the fields of labour, statistics and policy. Of the fourteen ESCWA member countries, ten countries were represented.

#### **C. AGENDA**

18. The workshop was organized in two parts. The first session included presentations on informality concepts and issues and measurement of informality, while presentations in the second session focused on policy and interventions. Each session was followed by a discussion. Following the workshop, participants discussed and developed policy recommendations in response to the topics and issues discussed at the EGM and the workshop.

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