The impact of global financial crisis on employment and poverty in the MENA region

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Mahmood Messkoub

messkoub@iss.nl

Institute of Social Studies

Kortenaerkade 12, The Hague, 2518 AX, The Netherlands.

1. A Heterogeneous ESCWA region

- Diversity of ESCWA and MENA economies
  - Resource-rich labour abundant (e.g. Egypt, Algeria)
  - Resource-poor labour abundant (e.g. Jordan)
  - Resource-rich labour deficit/importing (e.g. Saudi Arabia, UAE)

- MENA economies on the eve of the 2008 crisis: growth (Table A. 1) with unemployment and poverty

Poverty

- Absolute poverty high on all national and international standards
- Rural Poverty Rates Higher than Urban Poverty Rates (Figure 1, p. 9)
- Poverty Rates Sensitive to Poverty Line (Figure 3, p. 15)
- High inequality - Gini (Appendix Table 3, p. 37)
- Working Poor - late 1990s 10-71% of Employment

Structure of Employment

- By status – rank: 1.waged, 2.self-employment and 3.family workers (table 5, p. 45)
- By sector – rank: 1. services 2/3agriculture (1.Sudan only), 2/3 industry and. Services high. (table 6,44)
- Employment and poverty nexus – limited, employment elasticities are low (table 7, 46)
  – Cannot rely on employment policy alone to reduce poverty.

Crisis and Transmission Channels

- **Trade (goods market) - ESCWA/MENA Open**
  - Export to GDP ratio ranges: 26% Lebanon to 99% UAE
  - Imports to GDP ratio ranges: 24% Kuwait to 91% Jordan
  - Commodity composition of exports varies: oil and other minerals, labour intensive manufacturing, tourism.

Labour Migration (labour markets, national and regional demand)

- Migration flows: labour abundant to European and other ESCWA and MENA countries

- Emigration to population ratio in 2005 ranges from 17.4% in Lebanon and 11.2% in Jordan to 0.3% for Saudi Arabia. (Tzannatos, 2009, table B2)

Finance (financial market, remittances, foreign capital and aid)

- 10% world remittances directed at MENA and 20% originate in MENA
- 7% remittance to GDP ratio for labour abundant countries in 2007.
- Aid flows
- Foreign investment (FDI to GDP ratio high for resource poor, in 2006, 23.8% in Jordan, 13% in Egypt, even higher for FDI to gross fixed investment, 89% in Jordan, 50% in Egypt.)
- Foreign Reserves (in 2006, reserves covered around 11 months of imports)

Responses to the Crisis I:
Policy Agenda

- Economic Policy Space
  - Orthodox view - anti-inflationary, stability
  - Heterodox - developmental, composition of state expenditure

Social Policy Space:

- Protect the poor and vulnerable
- Nutrition,health, education,…

Responses to the Crisis II

- Fiscal and monetary stimulus packages. Make it counter-cyclical as in the developed countries
  - Egypt: construction sector, water, sewage and infrastructure
  - Morocco: tourism, textile, leather, automobile.
- Budget management and expanding social security and social protection
- Dialogue among the social partners (T.U.s, employers and governments, and NGOs)
- Enterprise support: tax holidays, loosening restrictions on foreign investment.
- Salary increases for civil servants.
- Some support for low skilled immigrant workers (Lebanon, Saudi Arabia) BUT restrictions on new immigration or reducing the ex-pat labour force

Responses to the Crisis III

- Raise minimum wage.
- Labour market programmes:
  - Early retirement (Tunisia)
  - Support for SME (Bahrain, Jordan, UAE, Morocco, Egypt)
  - Expansion of employment services (S.A.)
  - Support for youth
  - Job Sharing (Tunisia)
  - Combating child labour (Egypt) and offer of cash transfer to raise school attendance (Lebanon)

Responses to the Crisis IV

- Most common measures:
    - Spending on infrastructure, subsidies, tax reduction, credit for small and medium sized enterprises, training, social protection, dialogue with other stakeholders,
- Least common Measures:
- fighting people trafficking, SME access to public tenders, protection of migrant labour.
    - BUT Keep public expenditure constant and cut some infrastructural projects (possible long term effects)